THE ROLE OF U.S. SMALL BUSINESS IN REBUILDING KUWAIT

HEARING

BEFORE THE

SUBCOMMITTEE ON EXPORTS, TAX POLICY, AND SPECIAL PROBLEMS

OF THE

COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

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THE ROLE OF U.S. SMALL BUSINESS IN REBUILDING KUWAIT

MONDAY, MARCH 11, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EXPORTS, TAX POLICY,
AND SPECIAL PROBLEMS,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2359-A, Rayburn House Office Building, Hon. Norman Sisisky (chairman of the subcommittee) presiding.

Chairman SISISKY. Good morning. The meeting will come to order.

As chairman of the House Small Business Subcommittee on Exports, Tax Policy, and Special Problems, I have called this hearing today to explore how small businesses in the United States can participate in rebuilding Kuwait.

Quite simply, I intend for this hearing to be an informational resource for American small businesses seeking to play a role in the reconstruction of Kuwait. Without question, there are opportunities in Kuwait, and it is just a matter of our businesses knocking on the right doors. Hopefully, after this hearing, those doors will be better marked.

Most certainly, we are living in extraordinary times. In little over a year and a half, we have seen the Berlin Wall crumble, the Cold War end, and the peace lost—and then restored—in the Persian Gulf region.

Through the valiant efforts of our fighting men and women in the Armed Forces and the steadfast commitments of our coalition allies, the sovereign nation of Kuwait was saved from a ruthless and illegal annexation by Iraq.

Although we rejoice in the fact that the Iraqi army was defeated and expelled from Kuwait, we are sobered by the realization that the Iraqis inflicted terrible wounds on the people of Kuwait, the environment of the region, and on the very infrastructure of the country.

As we have all seen portrayed so vividly by the press, Kuwait is a country literally burning from the ravages of war. As a result of the Iraqi invasion and occupation, much of the country has been destroyed or severely damaged.

In addition to widespread oil fires and destruction of oil production facilities, nearly every road, hospital, and school in Kuwait will need to be rebuilt or repaired. Damage also includes disman-

tled water desalination plants, blockage of key harbors, and destruction of many Government buildings.

According to initial estimates, it will cost up to $100 billion and 5 years of work to repair virtually every physical structure within Kuwait. What we are talking about is tremendous damage that will require a massive reconstruction effort. Clearly, American businesses will be playing a major role in rebuilding Kuwait.

In fact, Kuwait's Ambassador to the United States recently indicated that countries contributing most to Operation Desert Storm will receive the bulk of reconstruction contracts. The Ambassador named the United States, the United Kingdom, and France, specifically, as likely beneficiaries.

Furthermore, the Kuwaiti Government has already contracted with the U.S. Army Corps of Engineers to perform the initial emergency stage of the cleanup. This cleanup will focus mainly on restoration of basic services such as water, electricity, sewerage, transportation, and telecommunications.

In light of this situation, I am particularly excited about receiving the testimony of the witnesses assembled today. I know that I speak for many small businesses when I say that I look forward to hearing what these knowledgeable officials have to tell us.

Hopefully, with this hearing, we will clarify for American small businesses just how they can participate in the reconstruction effort, and, in doing so, we will arm them with the necessary tools to pursue opportunities in Kuwait.

At this morning's hearing, we will receive testimony from witnesses regarding business opportunities for American firms in the reconstruction of Kuwait. The witnesses appearing today represent the U.S. Army Corps of Engineers, the U.S. Department of Commerce, the U.S. Small Business Administration, the Export-Import Bank of the United States, and the Overseas Private Investment Corporation.

In addition, Mr. Fawzi Al-Sultan, executive director of the World Bank, who helped organize the Kuwait Emergency and Recovery Program, will provide testimony. Also, I am very pleased personally that Mr. Lawrence Framme, Secretary of Economic Development for the Commonwealth of Virginia, will appear before the panel today.

Before we welcome our witnesses, would any members of the subcommittee like to make a statement? I would like to introduce the ranking minority member, Mr. Combest.

Mr. COMBEST. Mr. Chairman, thank you.

I think we would be remiss if we didn't commend you on calling this hearing in such a timely fashion on a subject that is so near and dear to our hearts, not only the interest in the United States companies in helping rebuild Kuwait, but the fact that Operation Desert Storm was such a success and lasted only such a short period of time.

We appreciate the fact that the Ambassador from Kuwait, early on, indicated the majority of those contracts in helping to rebuild that country would go to the allied coalition in the field that helped in the restoration of Kuwait through the war effort.

We appreciate these gentlemen, and others, who are here today. I look forward to getting these hearings under way and getting the rebuilding of Kuwait done as quickly as possible.

You are to be commended, Mr. Chairman, in your rapid work in calling this hearing.

Chairman SISISKY. Thank you very much.

Mr. Ray.

Mr. RAY OF GEORGIA. Just a brief statement, Mr. Chairman.

I want to commend you for holding this hearing today, and I am very grateful to all of the people who you have mentioned who have come to appear before us this morning. The cost of rebuilding Kuwait is expected to cost $100 billion or more.

The Kuwaiti Government has indicated that they will award contracts for construction to those nations which supported the allied efforts to oust the Iraqis, primarily the United States and Great Britain. America will possibly receive a good portion of these contracts, and this development could certainly be a stimulus to our economy.

I believe very strongly that small business must have a role in the rebuilding effort, and my office has been contacted by a great number of businesses expressing interest. Many calls have come from small business. Small businesses need to be certain that they are going to be given the opportunity to compete for a fair share of reconstruction dollars.

This hearing will serve as a forum to address this issue. Mr. Chairman, I look forward to the hearing.

Chairman SISISKY. Thank you, Mr. Ray.

Mr. Hatcher.

Mr. HATCHER. Mr. Chairman, I want to thank you for holding this timely hearing regarding an issue that is generating numerous inquiries from all our districts around the country. I think it is very timely.

I have a written statement. I would ask unanimous consent to insert it in the record.

Chairman SISISKY. Without objection.

[Mr. Hatcher's statement may be found in the appendix.]

Chairman SISISKY. We have a guest, the Honorable Jimmy Hayes from Louisiana.

Mr. HAYES. Thank you, Mr. Chairman.

I crashed the party because I represent a substantial number of small oil and gas concerns in Louisiana. People think Exxon is a company that dominates. I represent over 1,000 companies in one congressional district.

My interest is how we can line up the very specialized skills of those who don't have a great many of competitors, because they do a lot of specialized work.

I wanted to thank the chairman again for giving me the opportunity to provide that link for the people I represent in southeast Louisiana.

Chairman SISISKY. Thank you, Mr. Hayes.

Before we start, I would ask for unanimous consent that all testimony given today, in its entirety, be placed in the record.

At this time, I have the high honor of welcoming to the hearing this morning Mr. Fawzi Al-Sultan, an eminent Kuwaiti citizen. Mr.

Al-Sultan presently serves as an executive director of the World Bank, and was founding director of the Kuwait Emergency and Recovery Program.

As many of you know, this program has been instrumental in organizing the initial reconstruction effort in Kuwait. I am particularly grateful that you are able to be with us today. I understand that you are on a very tight schedule, and are expected at the State Department for a briefing at 11 a.m.

In light of this fact, I will not keep you from testifying any longer. I might add, however, I know I speak for other members of the panel when I say I look forward to your comments this morning.

You may proceed.

TESTIMONY OF FAWZI HAMAD AL-SULTAN, EXECUTIVE DIRECTOR, WORLD BANK, AND FORMER DIRECTOR, KUWAIT EMERGENCY AND RECOVERY PROGRAM

Mr. AL-SULTAN. Thank you, Mr. Chairman.

Mr. Chairman, distinguished members of the subcommittee, I am honored to be in the presence of your esteemed committee to talk about the reconstruction of my country and the role of small business.

The tragic losses and human suffering caused by the Iraqi invasion of Kuwait are immeasurable. The sacrifices which Americans and other members of the allied coalition have made on the battlefield and the cost in lives and money, especially to the American people, are of such monumental proportions that one can only stand back in admiration of the heights which a democratic society can attain in pursuit of principle.

The Kuwaiti people and Government remain deeply grateful to President Bush, the Congress, the U.S. House of Representatives, the Senate, and U.S. military, and most of all, the American people for the strong support in liberating Kuwait.

In my capacity as executive director, I have assisted in designing and coordination of the Kuwaiti emergency program until the end of last year. I continue to assist in developing the fiscal and monetary policies, emphasizing the economic and reconstruction issues.

I do not have any involvement in the construction negotiations or obligations of the Kuwaiti Government with respect to the reconstruction program.

Mr. Chairman, we expect there will be three stages to the reconstruction program. The first stage, which today is under implementation, is the emergency relief phase. This phase consists of essentially providing relief to the populations inside, providing them with health facilities, water, electricity, and food.

It also consists of providing an extensive damage assessment of all the facilities, which also includes putting out the fires, and assessing damage to everything from desalination plants to the road system.

The first phase also involves, as we mentioned, some of the policies we intend to follow during the reconstruction phase—and I will mention some of them as we talk about the recovery.

The second stage is the recovery, which would start after the first 3 to 4 months of the emergency phase. Our objectives will be to restore the facilities to a reasonable level, which will allow the population to move back into Kuwait.

We would also, at this stage, be deciding on the reconstruction's scope of work, based upon the damage assessment reports we have come up with, and, at this stage, there would be design and selection of contractors.

Hopefully, by this stage, much of our Government administration will be restored, giving an opportunity for information to flow out in some reasonable way.

We also hope that within this phase, the Ministries will have gone through some reorganization, and they will have expanded to where they can manage all the facilities.

The recovery phase also means, as you have mentioned, Mr. Chairman, because of total devastation, a complete startup of our private sector. Most of our private sector has been completely devastated. They have no equipment, no maintenance facilities. All the shops have been looted, and they have to start out from scratch.

They will need to buy things, enter into contracts, get the engineers they need. We see again this will be going on during the second phase, during which we feel some kind of seed capital will be needed.

Most of them have been devastated and have no way of getting any financing. During this phase, we are looking at some of the policies which are again critical to the types of businesses that would be interested in doing business in Kuwait.

What would be the private sector—or previously the Government managed a lot of the sectors. To give you an example, the hospitals, this was previously managed by the Government. If we have a much larger role for the private sector, instead of setting up these hospitals with the Government, from day one, they can be given out to the private sector, which again means opportunities for American business.

Hospital-type management companies can go in from day one to begin doing business. The type of policies we will pursue during recovery phase will determine the type of business opportunities.

Our financial sector, again, has been devastated and will have to be restructured, and, here again, there is opportunity. I know when I was managing director of the banks, most of the firms were working with small businesses, whether they were in consulting or computer fields. Almost every firm we had utilized was small business, and we expect this will also continue.

There will be a lot of scope in the education field. Management training. Here again, this is a tremendous scope for small business.

The final stage, which is the long-term phase, we enter into reconstruction. This is when all the plans are completed, the contracts are out, and this is where we feel the bulk of the expenses or expenditure will be spent.

The initial phase only includes a budget of about $850 million. When you look at the vast costs that are involved, we expect most of it to take place in the reconstruction phase. The role of small

business, again, depends on a number of factors, which I have put down in my testimony, but particularly three.

The present stage acts as supplier or subcontractor to American businesses operating in the area. Normally, doing business in the area would require you have some sort of presence. This is what some of the larger corporations do have. They have had presence there for 20 or 25 years. They have the experience and staff in place.

The second, which has been also very normal in Kuwait, is to enter into an agency agreement or partnership with Kuwaiti companies. Kuwaiti companies provide the local expertise and information on the potential firm, and the American companies could provide also the joint venture type relationships, the expertise, and be able to do the work.

The third way of doing business in the area would be to set up a Middle East representative office, and this is being pursued by a number of small businesses, particularly in the design, architectural, consulting, engineer field, where they do business in more than one country, so they would use their resources to do business not only in Kuwait, but Kuwait and most of the Gulf countries, and perhaps some of the other Arab countries surrounding as well.

Mr. Chairman, I am now willing to answer any questions that you and the members of the committee would have.

[Mr. Al-Sultan's statement may be found in the appendix.]

Chairman SISISKY. Thank you very much.

Mr. Combest, do you have any questions?

Mr. COMBEST. Thank you, Mr. Chairman.

Obviously, this is a massive undertaking, basically rebuilding a country. We appreciate the attitude of the Kuwaiti people and the Kuwaiti Government toward the United States in this effort.

Do you feel that there will be adequate internal financing for those individuals who are going to need to replace much of their own personal goods, homes, clothing, household items, and other things? Is there a program established within Kuwait—within the Government, to provide assistance, loans to these individuals, or grants?

Mr. AL-SULTAN. So far, we have not yet reached that stage. We are essentially now in the emergency stage, and thinking is ongoing. Now, we can easily go back to some of the institutions we had before the crisis, and these have included institutions particularly that would give out housing loans and loans to small industries.

We have an industrial bank, so within the realm of available institutions in Kuwait, much of this can be handled. The issue is tackling the problems of how do you get them to start up, how do you ask them to do a damage assessment? What level do you have them start up on?

These are issues, unless we have some of the private sector people move back into Kuwait, and some of them have begun to do that, they have begun to assess their damage. Only then will we know what the needs are.

We are hoping within the next 3 months we will be setting up these institutions.

Mr. COMBEST. Along with those institutions which have existed, there would be an expanded effort to include other individuals who

need help now. There are so many more people who need some assistance today than there has been in the past.

My concern is how will this be financed? Is there going to be a call upon the World Bank, is there going to be a call upon the United States or other countries for financial assistance?

Mr. AL-SULTAN. So far, Kuwait has adequate foreign reserves. Kuwait's financial position remains excellent, and we are hoping that, within the next few months, we should be able to restore oil production. This is what oil people have told us. That would also add to some of our income.

Kuwait is not eligible for financing from the World Bank. Our income per capita will supply enough help. We expect we will have sufficient financing to handle all our reconstruction program.

Mr. COMBEST. All of our offices are going to be inundated with businesses hoping to make direct contact with the Kuwaiti Government for Gulf reconstruction contracts.

We want to help make that as easy as possible for our constituents and people in this country who want to come to Kuwait and work. Also, I am sure that you want to make that as easy as possible.

I would simply ask that as more companies who are wanting to make bids, and talk to your Government or individuals about reconstruction jobs, we can find a way to streamline this effort, by providing contracts and telephone numbers, and relaying the reconstruction bidding process to our constituents. We are all being contacted. Please help us to help you and help streamline as much as we possibly can, so it is not a totally frustrating event, both on behalf of our constituents and the individuals in your country as well.

Mr. AL-SULTAN. Thank you.

Chairman SISISKY. Mr. Ray.

Mr. RAY OF GEORGIA. Thank you, Mr. Chairman.

Thank you, this morning, for coming to share your time a little bit. A two-part question: Is the damage greater than anticipated? Second, could you describe in greater detail the memorandum of understanding reached on February 19 between Kuwait's Minister of Foreign Affairs and the U.S. Embassy concerning the reconstruction of Kuwait?

Mr. AL-SULTAN. Mr. Chairman, I have no information on the second part.

Mr. RAY OF GEORGIA. OK.

Mr. AL-SULTAN. On the extent of damage, from the reports we are receiving now, it seems that particularly the infrastructure, the oil facility damage is worse than we expected. But to some of the infrastructure, the results are somewhat reasonably good. We are hoping one of our desalination plants can be brought into operation, I am told, within the next 2 to 3 weeks.

Mr. RAY OF GEORGIA. I understand some contracts have already been awarded. Can you specifically provide any information on those contracts, what they consist of, who they might be, and so forth?

Mr. AL-SULTAN. Again, as I mentioned in my testimony, I am an executive director of the Bank. It is the Kuwaiti Government who

is entering directly into contracts. The people responsible are the ministries themselves.

Our responsibilities stop at the stage of planning for the reconstruction program, identifying the works. From that point on, it is up to the ministries to take over and begin implementing the program.

Mr. RAY OF GEORGIA. This is the final question. We have heard that the Kuwaiti Government has requested that the Corps of Engineers act as its agent to provide precertification services and to furnish lists of precertified subcontractors.

Do you have knowledge of that, sir?

Mr. AL-SULTAN. I do have knowledge, but I think the Corps will be testifying very soon.

Mr. RAY OF GEORGIA. Sure, thank you.

Chairman SISISKY. Mr. Lancaster.

Mr. LANCASTER. Thank you, Mr. Chairman.

I think I would like to be a little more direct than Mr. Combest was. He indicated that he hoped that you would assist us in streamlining this process for our constituents. But do you have anything in place now that we can use when a constituent calls? Is there a number we can call? Is there a bidding process already in place, or is everything still in development?

Mr. AL-SULTAN. No; at this stage, we have both the Kuwait Embassy and liaison office for which the Army Corps of Engineers have put out the address to in its publications. There are two specific numbers that businesses can contact.

Mr. LANCASTER. Mr. Chairman, do we have those available? Is it in the packet of information we have been given?

Chairman SISISKY. I don't think so.

Mr. LANCASTER. I know your Ambassador has indicated Kuwait will be rebuilt, and it will be rebuilt with a great deal of assistance from our country. Will there by any sort of proportionality between the various coalition partners? Will everybody be competing in there together?

How will there be at least some assurance that companies from this country receive at least their fair share of the reconstruction contracts?

Mr. AL-SULTAN. Mr. Chairman, all I can say is I know during the phase which I was involved with, we were instructed to give priority to American corporations. As you can see, in the initial emergency phase, close to 70 percent of the contracts did go to American companies. I don't know anything since then.

I think much of the procurement guidelines are going to have to be developed as we go along. You can understand, Mr. Chairman, most of our people are still outside the country. The Government administration still has not had time to put it sufficiently together.

I think only when we have done that will we be able to reach the stage and put down, I think, some kind of procurement guideline.

Mr. LANCASTER. Do you know if there will be requirements with regard to contracts that Kuwaiti personnel and laborers be used to the exclusion of, or in preference to, American workers who might accompany the contractors?

Mr. AL-SULTAN. No, sir.

Mr. LANCASTER. There will not be such a requirement, or do you not know?

Mr. AL-SULTAN. I am not—the requirements have not yet been done. I wouldn't know how to answer the question.

Mr. LANCASTER. OK.

You indicated that there will be opportunities for small businesses, but will that generally be through subcontracting with the Bechtels of the world, or will there actually be contracts for which small businesses can compete directly?

Mr. AL-SULTAN. Mr. Chairman, in Kuwait's previous procurement guidelines, it was normal to divide companies into various categories, and this was specifically for the purpose that you would give opportunities to some of the small companies who bid directly for contracts.

This is one of the things which I alluded to, that you really have to set the procurement guidelines to do that. For example, if you took contractors, they were divided into various categories, depending on what the size was, experience, how many times they have done the same job before.

You would have certain contracts given to, example, low categories, contractors with less experience, and this was where only contractors from a particular category could bid against each other.

One way of doing that is take large projects and split them into smaller ones. This was again very normal in Kuwait, where, for example, a project which had 500 to 1,000 houses to be build would be split into groups of 20,000 houses each, giving an opportunity to smaller contractors to come in.

Now, again, these are the kinds of things that have always been done in Kuwait, and I presume as we go back into the reconstruction phase, that we will have those same types of categories set up.

Mr. LANCASTER. In conclusion, I am very interested in having access to the two telephone numbers that the Corps and Kuwaiti Embassy—is there someone accompanying you that can provide those to us now, or is that something that will have to be provided later?

Mr. AL-SULTAN. The Army Corps of Engineers——

Chairman SISISKY. We do have those numbers in your packet. It is the Kuwaiti Embassy that we didn't.

Mr. LANCASTER. I was asking about both. If you could get for us perhaps a contact person and number at the Kuwaiti Embassy, it would be very helpful.

Mr. AL-SULTAN. I will be happy to.

Mr. LANCASTER. Thank you.

Chairman SISISKY. Mr. Hayes.

Mr. HAYES. Once again, mine is limited to page 18 of your testimony dealing with the oil and gas sector. Mine is a how-to question. I am aware of the eight listed firms that have been given contracts; none of them seem to me to correlate to what is an early and high priority.

When you talk about oil well fighting, you have the John Wayne movie about Red Adair, but in the point of expertise, there is no such thing as a big directional company in the definition of the World Bank. There are none. These are small, specialized entities.

For example, I choose this from among things that will have to be done first. What is the process by which a directional driller, for example, among a multitude of specialties, reaches whom, because the contracts have been awarded already, were clearly done do without any opportunity for open and public knowledge.

My question is, if you are a directional driller, obviously these are having to be lined up now, who do you go to?

Mr. AL-SULTAN. Mr. Chairman, there has been a Kuwait Petroleum Corporation team working out of Houston now for more than 6 months.

Mr. HAYES. Does anybody here have the Houston team numbers, or access?

Mr. AL-SULTAN. I think the same number which you have been given for the liaison office would be able to put you in contact.

Mr. HAYES. That is if you can get them to answer the phone.

Chairman SISISKY. That will not do much good. They are so inundated with calls you can't get to them.

Mr. HAYES. The point I am making is solely from the standpoint, leaving aside my provincial interest for the company to be able to operate—for the country of Kuwait to be able to move the track faster in order to have online production and time lost in money in rebuilding, it is essential these kind of specialized companies be lined up in advance.

I am not for company A or B. I can assure you if that process isn't open and running now, or if they make the flat statement they have already made agreements, nothing is going to be accomplished.

On the other hand, why waste tying up telephone time in Virginia if it is already closed out? I want to know one or the other. How to get to them or that it has already been done, and that is all right, too, because they can get to some of those named entities, instead of inundating the Virginia telephone lines on calls that are not relevant if those agreements have been made.

It is the process unwinding that is so difficult to follow, and I suppose it shouldn't be directed to you, but my question is, now I know not to ask you, I want the blank of who do I ask the question, for example, about directional drilling or some of the other specialized areas.

If it is the Houston group, do I get them through the Corps, or through whom?

Mr. AL-SULTAN. Through the liaison office.

Chairman SISISKY. They are shaking their heads—the Corps are shaking their heads no.

Mr. HAYES. The Houston——

Mr. AL-SULTAN. There is a liaison office in DC.

Mr. HAYES. For Kuwait?

Mr. AL-SULTAN. For Kuwait, which handles all the sectors. The way to get any one of them, of the ministry facilities, would be through that liaison office.

Chairman SISISKY. The problem is, of course, of getting through, as the lines are always busy. This is an impossibility. I just really want to emphasize one thing.

Mr. Lancaster was really driving at the heart of it. You say the nation of Kuwait always gave some business to small businesses.

Hopefully, they will develop procurement guidelines, really, that emphasizes small business. That is our real hope.

Mr. Al-Sultan, we are going to get you out of here so you can get to the State Department. We are most grateful for your testimony.

Mr. AL-SULTAN. Mr. Chairman, I would ask there be some patience. Most of the contracts that have been signed on negotiations are essentially for the emergency phase. I think the large sums of money would be spent during the second or third phases, which is when I believe we will have had time to set up a much better information system.

Kuwait's Government is being restored, and there will be much easier access to the separate ministries. Thank you very much.

Chairman SISISKY. I think we can be patient. The problem is, the people we represent aren't very patient. They see it coming. Hopefully, we can work this out.

I might add, hopefully, we will follow up this hearing with a hearing of major contractors to see what they can do to allow small business some access.

Thank you so much.

Appearing on today's second panel, we have three very distinguished guests. Speaking first will be Mr. Michael W. Owen, Principal Deputy Assistant Secretary of the Army for Installations, Logistics, and the Environment. Secretary Owen is assisting in the oversight of the U.S. Army Corps of Engineers' efforts in Kuwait.

Greetings, Mr. Secretary.

Next, we will hear from Thomas J. Duesterberg. Dr. Duesterberg serves in the Department of Commerce as Assistant Secretary for International Economic Policy. Secretary Duesterberg is responsible for the Commerce Department's Gulf Reconstruction Center, which has been set up to assist U.S. small businesses seeking opportunities in the region.

Good morning to you, sir.

Last, Mr. William S. Becker of the Small Business Administration will speak. Mr. Becker is counsel to the Administrator at SBA. Today, Dr. Becker will discuss SBA's Kuwaiti program. Thank you all for coming.

I will start with you, Secretary Owen.

TESTIMONY OF MICHAEL W. OWEN, PRINCIPAL DEPUTY ASSISTANT, SECRETARY OF THE ARMY, INSTALLATIONS, LOGISTICS, AND THE ENVIRONMENT, ACCOMPANIED BY MAJOR GENERAL JAMES W. RAY, DIRECTOR OF MILITARY PROGRAMS, U.S. ARMY CORPS OF ENGINEERS

Mr. OWEN. Thank you, Mr. Chairman.

Good morning, Mr. Chairman and members of the committee. I am Michael W. Owen, Principal Deputy Assistant Secretary of the Army for Installations, Logistics, and the Environment. I have been designated as the Department of the Army witness for purposes of this hearing.

I have a brief opening statement, after which I would be happy to answer any questions members of the committee may have on this matter.

Accompanying me is Major General James W. Ray. He is director of military programs, U.S. Army Corps of Engineers. General Ray has been involved from day one in the Corps' efforts to aid the Kuwaitis in the restoration and reconstruction of their country.

I think between myself and General Ray, we will be able to answer a good number of your questions.

Also here today in the audience is Mr. Dan Gill, Department of the Army's Director of Small and Disadvantaged Business Utilization. If he can lend any assistance in answering your questions, he will.

The U.S. Army's involvement, and more specifically, the Corps of Engineers' involvement in rebuilding of Kuwait is extremely limited at this time.

At the present time, the United States has only agreed that the Corps of Engineers will manage $45 million worth of such assistance, which may increase to $100 million during the emergency recovery period, which is estimated to extend for approximately 90 days.

Consequently, the overwhelming majority of the effort to rebuild Kuwait has not been initiated, and the method the Government of Kuwait will use to implement the reconstruction effort has not been decided.

Thus, the Government of Kuwait will decide the level of U.S. participation in the rebuilding of Kuwait and which reconstruction projects will require foreign participation.

With respect to the opportunities for small businesses in the rebuilding of Kuwait, I offer the following comments: First, as I have indicated, most of the potential for U.S. business involvement, including small business involvement, will result in the long-term reconstruction effort beyond the 90-day emergency period.

At the present time, we do not know how this long-term effort will be implemented by the Government of Kuwait.

The Department of the Army contracting program in support of the restoration of Kuwait will aggressively pursue all U.S. small business requirements to the extent they are consistent with Kuwait-United States Government agreements.

With respect to those contracts which have been awarded, or may be awarded by the Corps, the Commerce Business Daily announcements, which I mentioned earlier, will be the way small businesses may learn about contracting or subcontracting opportunities for those contracts awarded by the Corps of Engineers under the Kuwait Emergency Recovery Program.

Having said that, however, I must note that of the eight firms to whom we have presently awarded contracts under this program, none are small businesses. The services for which we were advertising, that is, emergency recovery services, required immediate mobilization to include staging of materials and equipment in Kuwait for contracts of limited duration.

In addition, because of the rapid conclusion of hostilities, the solicitation period was severely limited. The small businesses that responded to our notices did not meet the prequalification requirements.

However, the Corps, through its small business and public affairs offices, is assisting small businesses by providing information on

the status of recovery activities and directing small businesses to the appropriate Corps contracting offices.

We are also developing a data base of small businesses for the potential long-term reconstruction effort.

This concludes my prepared statement, Mr. Chairman. I would be pleased to answer any questions you may have with respect to my testimony.

[Mr. Owen's statement may be found in the appendix.]

Chairman SISISKY. Thank you.

We will hold the questions until after all three testify. Dr. Duesterberg.

TESTIMONY OF THOMAS J. DUESTERBERG, ASSISTANT SECRETARY FOR INTERNATIONAL ECONOMIC POLICY, DEPARTMENT OF COMMERCE

Dr. DUESTERBERG. Thank you very much, Mr. Chairman.

I think we are all presented with unprecedented situations where there is a great deal of opportunity as a result of the actions taken by our President and by our Armed Services. We have all been overwhelmed by the response from the business community and from individuals seeking information and opportunity in the Gulf region.

Let me just give you a brief overview of what we have tried to do in the Department of Commerce in working with other agencies to try to respond to this.

We did start thinking about how to respond to this situation some weeks ago, and have plans for how the process should unfold.

We are concerned with assuring that all segments of the American business community, especially including small- and medium-sized businesses, have every opportunity to participate in the reconstruction effort.

First, within the Department of Commerce, we established last week a Gulf Reconstruction Center to serve as an information clearinghouse for businesses, and which can also serve to direct those who are interested to more specialized assistance in counseling, either in the Department of Commerce, in the field, in the Persian Gulf, or from other U.S. Government agencies.

The center is coordinating the programs of the Department to take advantage of rebuilding opportunities in much the same ways our East European Information Center has helped to focus our American private sector on prospects in Eastern Europe.

Second, in addition to the programs being coordinated within the Department, Secretary Mosbacher has activated the Trade Promotion Coordinating Committee to harness all U.S. agencies' reconstruction efforts. This interagency committee, established last year, comprises some 18 U.S. Government agencies, and met three times last week and once the week prior to that.

Excellent lines of communication have been opened among all the agencies, and the common purpose of maximizing American participation in reconstruction has already been clearly agreed to.

You heard from Mr. Al-Sultan earlier about the scope and the phasing of the reconstruction efforts, so I don't need to go over that part of my testimony. We have already heard that there is a great

deal of interest in Kuwaiti reconstruction in the small business community.

Our Gulf Reconstruction Center has 16 phone lines, which are jammed with something like 5,000 callers a day since it opened 1 week ago. We have been open over the weekend, and the phones continue to ring. We are taking as many calls as we are physically able to.

We are adding additional equipment, hopefully as we speak, to handle the overflow of information. This is a great deal of activity for a country slightly smaller than New Jersey which has a population of only about 2 million. Because of its oil wealth, however, Kuwait had one of the world's highest per capita incomes prior to its occupation last August.

The last year for which trade data is valid, 1989, Kuwaiti imports amounted to 6.5 billion. Our share of that market was approximately 15 percent. We expect those import numbers to expand quite rapidly this year as part of the reconstruction effort, and I think, as others have indicated, and as the Kuwaiti Ambassador has stated on several occasions, we expect a very good proportion of that to go to American companies.

The initial work in Kuwait will involve our largest firms, because they can mobilize the necessary resources quickly. Our smaller contractors will find opportunities in subcontracting with major firms to rebuild or repair residential and commercial facilities after the basic infrastructure is restored.

We anticipate a number of our firms will form joint ventures with local Kuwaiti contractors and tackle commercial and residential rebuilding.

I think Mr. Al-Sultan underscored the importance of having a local presence through joint ventures or through representation on the ground in Kuwait at the appropriate time. Along with our major industrial exports of oil field machineries, computers, and communications gear, we expect to see increased sales to Kuwait of air-conditioning equipment, construction machinery, vehicles, furniture, and medical equipment.

Reopening our commercial office at the U.S. Embassy in Kuwait City is one of the top priorities of the Department of Commerce. We think it is absolutely essential to have trained and effective commercial officers in-country to give every advantage to Americans firms, large and small.

Though our Embassy has scarcely reopened, we have already identified the person who will become the post's senior commercial officer. As soon as Ambassador Gnehm gives us the green light, the SCO will be sent into Kuwait, and we hope to get final approval from the State Department very shortly.

Also, we are preparing to send in a second commercial officer, again pending approval by the State Department. These two experienced professionals, buttressed by a number of local foreign service nationals, will form the nucleus of the strong commercial team we will supplement with the group of foreign service nationals who, again, we have already begun to recruit.

Backing up this team, and already on the ground, are our commercial officers in the three Saudi Arabian cities of Riyadh, Dhahran, and Jeddah. Each of these offices will be supplemented in the

next 3 weeks with a temporary duty officer, as soon as the logistics for sending them in are worked out.

All of these arrangements will be at the top of the list of topics Commerce officials will be discussing later this week with Ambassador Gnehm, as soon as our office is restored.

I might add, our commercial officers in Saudi Arabia already have an updated list of American companies having done, and anxious to do, business in Kuwait. For those business organizations seeking sales and representation in the Kuwaiti market, we will be providing an initial link with the Kuwaiti business community and with the Kuwaiti Government.

These and other informational links will all flow through our Gulf Reconstruction Center, which is an information gateway for American businesses interested in commercial opportunities in the region. As we hear from businesses, we are recording their interest and capabilities on a data base using software we developed through our East European Business Information Center.

We are also counseling these businesses with the information we presently have about the Gulf. This includes the current commercial picture, contracting and subcontracting opportunities with Kuwaiti public and private sources and with the Corps of Engineers, addresses and phone numbers they can use to pursue leads in these early days, and so on.

Later, as we learn about specific commercial opportunities, we will use this data base in a proactive way to alert the businesses we heard from to the appropriate opportunities they can pursue. We have several ways to get the word out, starting by the contacts built up by the Commerce's trade development sectors.

Two other ways to publicize opportunities have particular relevance to small and minority-owned businesses. The Small Business Administration, which we will hear from shortly, has developed a superb data base called Procurement Automated Source System [PASS]. The Commerce Department is coordinating closely with SBA to connect our two small business data bases so trade opportunities can be brought directly to the attention of all the small businesses either agency has heard from.

The second important network we plan to link up with has been developed by the Commerce Department's Minority Business Development Agency. It has an electronic connection to more than its 107 Minority Business Development Centers around the country.

Small firms do not have to begin their search with a trip or phone call to Washington, DC. Our 47 district offices around the country can provide all of our basic services in the home cities of many companies. All that is necessary is for the firm to place a phone call. One of our trade specialists will pay a visit and get the process rolling.

We have had very much in mind, our responsibility to minority and small businesses. Hundreds, and perhaps thousands of businesses are going to be the backbone of the reconstruction effort, just as they are the backbone of this country's private sector. Our goal is for this process to be as full, fair, and complete as it possibly can be.

Let me again thank you for this opportunity to appear before your committee. I would like to close with one observation, and

that is, we are all very anxious to assure that the opportunity that is presented to our major-, to our small-, to our medium-sized businesses, and to individuals, is capitalized on as soon as possible.

We have to remember that the situation on the ground in Kuwait is still somewhat unsettled. The Kuwaiti Government has not been fully reconstituted. They have not conducted their initial surveys of damage assessment. They have not finalized their plans for rebuilding.

As Mr. Owen mentioned, most of the work will be done after this initial assessment period. So, I would like to caution all of us as we try to put together an information system, that the major opportunities are probably a little bit down the road. We are confident we will have a system in place that will publicize these opportunities, get the relevant companies the information they need to bid on contracts and be fully informed, but the timing—we always have to recall—is a little bit further off, I think for the lion's share of the work.

I would be happy to answer your questions.

[Mr. Duesterberg's statement may be found in the appendix.]

Chairman SISISKY. Thank you, Mr. Secretary. Mr. Becker.

TESTIMONY OF WILLIAM S. BECKER, COUNSELOR TO THE ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION

Mr. BECKER. Mr. Chairman and members, thank you very much for the opportunity to appear before you today.

Accompanying me are three of the Small Business Administration's Program Directors with key roles in our efforts regarding Gulf reconstruction.

They are Robert Moffitt, the Associate Administrator for Procurement Assistance; Antony Korenstein, Director of our Office of International Trade; and Joe Pelligrino, Regional Administrator for region 1.

I will briefly summarize the steps being taken by the Small Business Administration to help small- and medium-sized U.S. firms learn about and take advantage of business opportunities related to Gulf reconstruction.

I would like to begin by describing SBA's involvement in the larger team of Federal agencies engaged in this effort.

As you know, the Trade Promotion Coordinating Committee, chaired by Secretary Mosbacher, is taking the lead in the Administration's efforts to get information to U.S. businesses about Gulf reconstruction opportunities.

The SBA is a member of the Trade Promotion Coordinating Committee.

We are working actively with all of the other member agencies to share and exchange information so that each of us can provide the most complete possible information to the businesses who contact us.

As you know, Mr. Chairman, the SBA has a variety of programs that can be useful to small and medium businesses contemplating work in the Gulf.

The agency administers two loan guarantee programs especially for exporting companies—the International Trade Loan Program, and the Export Revolving Line of Credit.

We stand ready to utilize these programs in making sure that U.S. companies have the capital they need to bid on and perform Gulf reconstruction contracts.

SBA also administers the General Business Loan, or 7(a) Guarantee Program.

Under this program, the SBA will guarantee up to $750,000 of a loan made by a private lender to a small business.

This program can be used to provide capital both to small companies planning to export goods or services to the Gulf region, or by small firms who become subcontractors for prime contractors doing work in the Gulf.

The SBA also operates a Surety Bond Guarantee Program to ensure that small companies can receive bonding, when needed to subcontract with domestic U.S. companies or agencies.

In addition, the SBA has available an array of specialists who can counsel small companies and help them in their competition for, and execution of, Gulf-related contracts.

Those specialists exist in the agency's 100 field offices, in the more than 700 Small Business Development Centers located across the country, in the 13,000-member Service Corps of Retired Executives, and in our Small Business Institutes at college campuses nationwide.

This nationwide network includes specialists in business development, finance, procurement, international trade, and business management.

We are taking several steps, Mr. Chairman, to make sure that small businesses are aware of Gulf reconstruction activities and the resources of SBA and other Federal agencies.

Last week, our Office of International Trade issued a notice to SBA's Regional and District Directors, informing them of the appropriate addresses and information numbers for the Department of Commerce Gulf Reconstruction Center, the U.S. Army Corps of Engineers, and the Government of Kuwait.

On Friday, the Directors of our Finance, Procurement Assistance, and International Trade Programs held a telephone conference with SBA's 10 regional administrators to alert them to the Gulf reconstruction program.

Today, we are distributing information packets to all of SBA's field offices, including background information on Gulf reconstruction and the most current list of U.S. companies that have won contracts in the Gulf.

This information will allow our field offices to advise small businesses how they may obtain ongoing information from the Federal Government, and which U.S. prime contractors they should contact for subcontracting opportunities.

Also on Friday, we placed a special Gulf-related message on SBA's toll-free answer desk.

This message gives callers the number of the Gulf Reconstruction Center, and urges small businesses to enroll in SBA's Procurement Automated Source System, better known as PASS.

Each small businessperson who calls the SBA answer desk and leaves a name and address will be sent a package of information about Gulf reconstruction and SBA's programs.

Each caller will also be mailed an application form for the PASS system.

If I may, Mr. Chairman, I would like to describe PASS in greater detail.

We believe this resource can be especially helpful in making sure that small American companies are considered for Gulf contracts and subcontracts.

PASS is a computerized data base that lists small businesses available for, and interested in, procurement opportunities. Some 200,000 small companies currently are listed in the system. Small businesses can enroll in the system at no charge.

For a small fee, Government agencies or prime contractors can search this data base and pull out information about small businesses with the requisite skills to meet their needs.

PASS is customarily used to help small businesses obtain contracts from the U.S. Government or U.S. Government contractors, not from foreign governments.

However, we are taking a number of steps to ensure that PASS is utilized to help small firms connect with Gulf opportunities.

First, we are revising the PASS application form so that applicants can indicate their specific interest in Gulf reconstruction opportunities.

This new form was sent to the printers last week and will be available shortly.

Second, we are issuing a new marketing effort through small business trade associations, the media, our field structure and the SBA Answer Desk, urging small companies to enroll in PASS.

We will be issuing a news release about PASS later today, to be distributed through trade associations and through our district and regional offices to local news media nationwide.

Third, we are instituting another marketing effort to make sure that Federal agencies and larger companies with a role in the gulf know about, and utilize, the PASS system to identify potential small business subcontractors.

We have provided information about PASS to the U.S. Army Corps of Engineers and the member agencies of the Trade Promotion Coordinating Committee.

We are actively contacting companies that already have received Gulf reconstruction contracts to alert them that the PASS system can help identify small business subcontractors.

We are asking our Commercial Marketing Representatives around the country to contact large companies who may be good candidates for Gulf contracts, to urge them to utilize PASS. In our experience, the earlier we contact a large firm, the more likely it will be to utilize the PASS system and to focus upon small businesses for subcontracting.

Our Office of Procurement Assistance is assigning personnel full time to coordinate this effort, and we have offered to assign an SBA procurement specialist to help the Department of Commerce staff its Gulf Reconstruction Center.

We also are exploring the possibility of establishing a computer link-up to the PASS system inside the Gulf Reconstruction Center.

I must stress, Mr. Chairman, that PASS will not guarantee contracts for the small firms listed in the system. PASS is merely an additional marketing tool for small businesses. I would urge small companies to enroll in PASS, then pretend that the system doesn't exist.

Companies should be aggressive, they should be persistent, and they should pursue every possible lead and bit of information. PASS may help small firms obtain Gulf contracts, but it cannot substitute for entrepreneurism.

Briefly, Mr. Chairman, those are some of the programs and newly focused efforts we are utilizing to help small companies learn about and take advantage of commercial opportunities in the Gulf.

We have joined the Department of Commerce, the Corps of Engineers, and several other agencies in briefing congressional staff about these capabilities over the last several days, and we have provided telephone numbers and more detailed information in fact sheets being sent today to each of your offices.

Thank you, Mr. Chairman.

We would be happy to answer your questions.

Chairman SISISKY. Thank you.

[Mr. Becker's statement may be found in the appendix.]

Chairman SISISKY. The record will be open for 5 days after this hearing, and I will be submitting questions directly to you.

In the interest of time, I am not going to do that now. Some of them are very technical in nature.

[Questions and answers may be found in the appendix.]

Mr. Ray.

Mr. RAY OF GEORGIA. Thank you, Mr. Chairman.

Mr. Owen, I have a scenario-type question to you.

I understand you have said that it is going to take about 90 days for the Kuwaiti Government to assess the situation, to kind of get its plans made, and that you have also said that because of the nature and magnitude of the problem, most likely a lot of contracts will go to large and major companies, and small business has its best opportunity to subcontract with these companies.

I thought we could put this in the record.

[The information may be found in the appendix.]

Mr. RAY OF GEORGIA. In the first 90 days, can you elaborate on whether the Kuwaiti Government has entered into a contract with any American companies to begin rebuilding or to begin to reassess the damage or not?

Mr. OWEN. Yes, sir, Mr. Ray.

I will answer that, and I will invite General Ray to chime in at any moment so we can get the best and most accurate information before the committee.

The Corps of Engineers has overseen the execution of nine contracts to date. Five of those went to U.S. firms, two to Saudi firms, one to a Kuwaiti firm, and one to a British firm.

They are for relatively small amounts of money; everything less than $6 million.

Realistically, you let a contract for $3 million or $4 million to a fairly large U.S. firm, and what you get is a team from that firm that deploys to Kuwait, and they are there to begin the initial early stages of damage assessment. They are out working with the Corps of Engineers damage assessors and the Kuwaitis.

Those amounts of money that we have executed, $28 million under terms of the foreign military sales agreement, don't get you a lot of brick and mortar and nuts and bolts.

That will come at a later date.

Now, the Kuwaiti Government has also entered into contracts without our knowledge or involvement whatsoever, which they are free to do.

We read about them in the newspapers. We hear about them.

Some contracts apparently are in the oil industry. I read about one the other day with a major Detroit auto manufacturer.

The terms of those contracts and what not, to be perfectly honest, are not our business.

We are not privy to the terms of those contracts.

Do you have anything to add, General Ray?

Chairman SISISKY. By the way, a warm welcome to you, General Ray.

General RAY. Thank you very much, sir.

I would add our involvement is with four of the ministries: The Ministry of Public Works and Utilities; the Ministry of Electricity and Water; the National Guard; and the Ministry of Defense.

So, we do not get involved with other sectors, such as the petroleum industry or with Health and Human Services.

We are limited strictly to those four ministerial areas that I mentioned.

Mr. RAY OF GEORGIA. I understand the Kuwaiti Government has entered into a contract with the Corps and has paid some money to act as a liaison person—an organization to really take in infrastructure-type contracts, focus on infrastructure; is that correct?

Mr. OWEN. We currently have, and we entered into it in the early weeks of January, I believe on the 14th of January, a foreign military sales case for $45 million plus $1.3 for administrative charges, for a total of $46-plus million.

It is from that pot that $25 million to $28 million in contracts to 9 contractors has been let.

That is where we are at this stage. To a large extent, that is for damage assessment.

Where we go beyond that, Mr. Ray, we do not at this time know what the Corps' involvement will be post-90 days or post the emergency phase.

We do know at this hour that we are working at the request of the Kuwaiti Government to bring on line an additional $55 million, which we will not use the foreign military sales case for.

However, we will use section 607 of the Foreign Assistance Act in 1961.

We anticipate that all $55 million will be directed toward extensions to the earlier 9 contracts.

There will not be any new contracts, but, for example, let's say ABC corporation has gotten to Kuwait City, they are starting to

work in the first quadrant on damage assessment and lo and behold they will run out of money to continue on.

This $55 million would allow them to continue the assessment team operations.

That is where we stand at this stage. I don't know if General Ray wants to add anything.

General RAY. I would add, in addition to damage assessment, they are doing emergency-type repairs, both through the electrical system and the temporary repairs to public buildings and the roads.

We have also a contract to do temporary repairs at the airport.

Mr. RAY OF GEORGIA. Is the damage greater than anticipated? Could you just touch on that? I know the airports were pretty seriously damaged, the water systems, things of that nature, that have to have immediate attention.

General RAY. Our initial assessments are that damage in the infrastructure, as Mr. Fawzi Hamad Al-Sultan mentioned, is not as great as had been anticipated.

The airfield is open for partial use. Secretary Baker landed there, and we are landing planes there routinely.

The roads are in good shape except for the first 20 kilometers from the border to Kuwait City, and then north of Kuwait City. The article in the paper this morning showed some of the damage there.

The public buildings are reported to have been trashed, as opposed to having very much structural damage, but to answer your question directly, sir, it appears that the damage is not as great in the structural sense as we had anticipated.

Mr. OWEN. We also have indications that probably the single greatest problem would be power; the restoration of electrical service.

For example, the water and sewer distribution systems probably aren't as bad off as we thought they were going to be, luckily, but the key is to get the power on to operate the pumps to move the sewage and water through the existing pipeline infrastructure.

There are some indications as of this morning that we are starting to make some pretty good progress on that and large portions of the power grid could start coming on line in the very near future.

Mr. RAY OF GEORGIA. Once again, could you put into the record the procedure for someone who is interested in contacting the Corps or whoever?

Mr. OWEN. Yes, sir.

[The information may be found in the appendix.]

Chairman SISISKY. Mr. Combest.

Mr. COMBEST. Thank you, Mr. Chairman. I have just a couple of comments.

I want to mention that a couple years ago, I took particular interest in the PASS system, and we were trying to coordinate an approach by which we could have all of the various agencies of the Federal Government that use PASS to consolidate their information.

Unfortunately, it sort of fell on deaf ears. Hopefully, that is moving forward so an individual does not have to register through

the PASS system with a number of differing agencies. They could register once and that information would be shared among every agency within the Federal Government.

I think the PASS system is a good system.

Hopefully, it will be brought into the limelight more than it has in the past.

I have conducted a number of procurement seminars in which we were deal with small businesses, and assist them when they are interested in contracting with agencies like these represented here today. Individual contractors are particularly interested in doing business with the Federal Government.

One of the real dilemmas that a small business has is they have no idea how to deal with the Federal Government bureaucracy. It is a real eye-opening experience to them. They have no idea where to start.

I think many individuals are going to find this process even scarier, if you are a small business wanting to contract with the Kuwaiti Government. I hope we can have a lot of small businesses that participate in the rebuilding of Kuwait.

I would hope that each of you, as well as those on the committee, can do everything to help streamline the process to help get that information into the hands of small business owners.

You mentioned through the Small Business Administration some of the things you are doing, for example, getting the information back to regional and district offices, so small businesses know where to start by using the Business Commerce Daily, which will list possible contracts. This is very helpful.

Once that initial red tape is gone through, and a company has done business for the first time with the Federal Government, they find it not quite so frightening after that point.

You mentioned some things I think are going to be helpful. I appreciate the fact you are conscious of them and that you will help ensure these services are utilized much more than has been used in the past.

They will have to have additional inventories, or whatever the case may be.

The fact that providing funding and providing information on how they go about it, I would just encourage you to expedite as rapidly as possible to those small businesses that have the opportunity of doing business in this area, which they have never done before, it is going to be extremely competitive.

If someone is in existence already, and knows how to go through the process, they are going to be at a tremendous advantage over a small business that might simply try to utilize this system, due to the unique circumstances of the Persian Gulf problem.

I will encourage you in every way to help these small businesses get out there for the first time.

Secretary Owen, what basically is the criteria used by the Army Corps of Engineers that you mentioned had awarded eight or nine contracts, that I realize that time is of the essence in some of these initial ones, but as time goes on, what is the basic criteria you use in determining to whom a contract is awarded?

Mr. OWEN. In this instance, I think you appropriately highlighted, Congressman, timely responses to be very important quality.

The Army Corps of Engineers, as a matter of policy, has an aggressive small business program.

I believe in total, the Corps' record is about 40 percent to small business, in one category or another in most of the work we do.

The specifics of prequalifying, qualifications for this type of work, I will leave to General Ray who has been on the ground there, and has dealt in that part of the world before extensively, and has been involved with us from day one in this effort. He will be able to flesh that answer out for you.

General RAY. Sir, the single overriding criteria is the requirement of the job. You look at the job, what thing has to be done. Then we take a list of firms that have either submitted an expression of interest, a bid, or, for example, if it is a bid, it is going at a low price or a proposal.

Then we evaluate the expression of interest or proposals to determine who is the best qualified to do the task that we have to achieve. We are using standard forms for expressions of interest. We are doing that because those are the forms that most of the businesses are familiar with and understand.

Mr. COMBEST. Are you specifying prior experience in your potential contractors, which you are awarding contracts to?

General RAY. For this initial group of contractors, we specified prior experience in the area because of the difficulty of getting block visas for workers to go into these countries, and because of the difficulties in working in the Middle East.

We did specify that one of the primary factors would be prior experience in the Middle East.

Mr. COMBEST. Would that be something relative to every contract that you would award throughout this entire period of time? How do we break the ground for somebody who has not been there before, particularly in Kuwait?

General RAY. For a large contract that will be difficult to break. For example, as Mr. Owen said, we have awarded nine contracts. We do not intend to award any additional contracts because of the limited time that we are going to be there, the first 90 days, plus the limited amount of funds.

So, if we are extended past 90 days, then we would extend or revert to normal procedures for firms interested in doing business and evaluate the firms on their qualifications, not necessarily the previous experience in the area.

Chairman SISISKY. Following through on that, one of the questions that I will submit to you in writing involves the long-term contract you just talked about. Although the Corps would not be obligating appropriated funds, to what extent does it intend to comply with statutes and regulations applicable to contracts involving such funds? In particular, to what extent would the Corps adhere to the small business set-aside requirement if it were to secure a long-term contract?

General RAY. Sir, to answer your first question, if it is a U.S. Government contract—and these nine are U.S. Government contracts awarded by the Corps of Engineers—we follow all U.S. statutes and regulations. Unfortunately, the small business set-asides do not apply overseas.

They apply within the United States and its territories and not overseas.

We will have a clause in all of our contracts that will require contractors to use small businesses if any part of the contract such as supplies or material are purchased within the United States.

Chairman SISISKY. One other question before I call on Mr. Lancaster. Would you discuss the March 15 cutoff? Is this applicable to anything?

General RAY. We have three Commerce Business Daily announcements in effect: One for supplies; one for architect/engineers; and one for constructing contractors. The announcement for suppliers and for constructing contractors has a cutoff of 15 March. For architect/engineers, it is 21 March.

Chairman SISISKY. Mr. Lancaster.

Mr. LANCASTER. I think one question that an awful lot of business people are going to want to know is just how long are contracts going to be available. Is this something that is going to be taken care of in a matter of months? Is it going to be years?

One of you indicated that initial damage assessments are that the damage is not as great, and that, in some cases, it is a matter of cleaning up trash. Does anybody have a feel for whether we are talking about 6 to 9 months? Or a year, 2 years, 5 years? What are we talking about in terms of opportunities for our business people?

Mr. OWEN. If I may start, I think the gentlemen accompanying me will want to add to that as well.

What the U.S. Army Corps of Engineers is doing today, as we speak, we have $45 million foreign material sales case with the Government of Kuwait. We have expended all $45 million for all practical purposes. There is maybe $2 million left for emergency contingencies. We are in the process of initiating a memorandum of understanding with the Government of Kuwait between the Department of the Army and the Government of Kuwait for an additional $55 million as extensions to those nine contracts. What remains beyond that is a decision for the Government of Kuwait to make. If they have to make those decisions, because as we look right now, we see nothing beyond $100 million as we speak at this hour.

Mr. LANCASTER. That is Corps contracts?

Mr. OWEN. That is right.

Mr. LANCASTER. I am talking about rebuilding hotels, runways, roads. This, I assume, will be contracts between the Kuwaiti Government and perhaps, in some cases, private industry and American contractors.

Mr. OWEN. They are already doing that. We have every reason to believe there is a large amount of work. I would say the gentleman from the Commerce Department has a better track on that than I do at this hour.

Dr. DUESTERBERG. I think it is important to understand at this time the role of the Corps is limited, as Mr. Owen indicated. Of the contracts let so far, probably the Corps work represents maybe 10 percent. That doesn't take into consideration what the Kuwaiti Petroleum Corp. is doing, which, as we all know, is going to be an enormous amount of work. I think the damage to the petroleum fields, the distribution system, and the refineries is probably great-

er than anyone anticipated. I have seen Red Adair quoted as saying it will take a year, year and a half to put out the fires. That gives you an indication of the timing on that aspect of the work.

As the Corps indicated earlier, just the damage assessment is going to take 3 or 4 months.

So, as the Government decides what it is going to do through the various ministries, as the Kuwaiti Petroleum Corp. decides what it is going to do, and as individual private businessmen or private corporations decide what they are going to do, I think you get a better idea of the overall scope of the project.

It is going to take a good chunk of time, much longer than 6 to 9 months.

Mr. LANCASTER. Is the Corps' focus, at this point, damage assessment, or is there also an element of emergency repairs of infrastructure in your contract?

General RAY. Sir, the contracts are primarily for the temporary repairs to the public buildings and emergency repairs. We are doing a lot of the damage assessments with our own people. We have 39 people in Kuwait City today, and we have about 70 more enroute to Kuwait to do the damage assessment much the same as we would do if Hurricane Hugo or the Loma Prieta earthquake assessment were reported to FEMA. The contracts are for temporary and expedient repairs.

Mr. LANCASTER. One thing I would encourage each of you to do or consider because of the difficulty our offices are having in getting information is in some way set up a mechanism that our offices might communicate with the right person in your offices to get information because it is very difficult to put a staff person on the telephone to dial over and over again and spend a whole afternoon doing that.

I would encourage you to consider having some way we might be able to bypass what is a very, very clogged system right now. If you could do that and get that to the office, I think it would be very helpful.

Thank you.

Chairman SISISKY. Mr. Ireland.

Mr. IRELAND. Thank you, Mr. Chairman.

Maybe it has been as long as 10 years ago, we set up an export line of credit to help with exports. How much of that line of credit for exports has been used and are you disseminating information about it currently? What is your experience? What was done last year and what do you anticipate this year?

Mr. BECKER. Mr. Ireland, I would have to defer to one of the folks I brought with me for the exact numbers. In general terms, in the 10 years you talk about, that is well before my time. However, we have been disappointed with the rate of utilization. Ms. Engeleiter has set in motion a process to change the regulations in critical respects for the program. My understanding is that there was some question about a requirement that those loans be sold on the secondary market. That requirement is now being resolved.

There is some question about the terms of the loans. They were very short term. The term is being extended now to 3 years. This spring, SBA intends to launch five pilot projects around the country to try different configurations of marketing the export revolv-

ing line of credit to see what kind of lessons we can learn about doing a better job of marketing that program and making it available to smaller businesses.

It is my understanding the rate of utilization of the ELRC is on its way up. I can call forward one of my program managers.

Mr. IRELAND. I think your Comptroller, in his testimony, said there was a total of $8 million in 1990, fiscal 1990, to only 54 businesses, and that, in itself, was actually double the year before, which isn't very much. It would seem laudable that at last there is some stirring in the Administration.

Could we get assurance that in this particular crisis we would put the pedal to the floor? Is there something you can do about it? There is a real opportunity to help some of these people, and this opportunity is going to pass rather quickly.

Mr. BECKER. Yes, sir; you can get that assurance. I agree it is a valuable resource. I will push that forward as quickly as we can.

Mr. IRELAND. May we have some response to that to tell the committee chairman within the next 24, 48 hours what kind of real pressure is going to be put on this program?

Mr. BECKER. We would be happy to get back to you.

Mr. IRELAND. It won't do any good if you take a month sorting things out. If you could move the program for us, we would be interested.

Mr. BECKER. I will be happy to respond. In short, I can tell you that as part of our effort to get the word out about all of our programs that could be brought to bear for small business in the Gulf, this will be prominently displayed among those program options. There are structural problems with the program that we are trying to repair and that will not be repaired within the next week or so. Progress is being made to take care of those regulations.

Mr. IRELAND. It is hard to tell these people who have had the program for 10 years that we are just getting around to figuring out the regulations. That is hard to sell. Thank you.

Thank you, Mr. Chairman.

Chairman SISISKY. Mr. Hayes.

Mr. HAYES. Once again I want to limit my questions to a sector. On page 3 of your testimony, Dr. Duesterberg, you refer to the oil section being hard hit. Does that mean that during the 90-day period you are talking about an assessment or does that mean Bechtel has some relationship with Kuwait Petroleum with the Government that it would be the focus point to which we can refer people interested in the oil and gas recovery? Which does it mean? 90-day short-term? Does it mean throughout the period of what may be several years in the reference you made earlier?

Dr. DUESTERBERG. I have not seen the contract signed.

Mr. HAYES. It is your sentence. I assume you saw it.

Dr. DUESTERBERG. My understanding is, it is a long-term project.

Mr. HAYES. So, the Bechtel reference, if I were to refer people who contacted me in Southwest Louisiana Oil and Gas, it would be a good idea to contact Bechtel Oil and Gas?

Dr. DUESTERBERG. I would do both.

Mr. HAYES. I am not sure I follow the 15th and 21st cutoff dates. I don't understand the importance of them. In other words, you

have already allocated contracts. What is it this will cut off on the 15th if you have given the eight contracts?

General RAY. When we published these announcements in the Commerce Business Daily, we had no idea the war would be over so soon.

Mr. HAYES. The point I am making—I am not being critical of you—there is no point in having people phone with a 15th cutoff date when, in fact, the contracts are let. What we are talking about now is longer-term relationship with you later after you may not have the $55 million or after you role is developed by the Federal Government. I am not critical of you.

It helps me to be able to tell people bottom-line facts. It should save you phone conversations.

General RAY. I appreciate that. However, we have had questions from the other side that says we want you to continue to take these expressions of interest and provide those to the Kuwait Government in case you are not involved past 90 days.

Mr. HAYES. That is where the 15th and 21st arise?

General RAY. Yes, sir.

Mr. HAYES. Thank you.

Chairman SISISKY. One more question for the Corps. Can you describe your role in precertifying contractors whether the precertification is used for Corps contracts or for contracts with the Kuwaiti Government?

General RAY. We can do business two ways with the Kuwaiti Government. We can award U.S. Government contracts as we have, in which case we are the primary factor or the primary agent in the precertification. We can also assist them in awarding contracts, and, in this case, we would assist them by advertising, collecting the information of the firms interested, and assist them in evaluating the contracts up to the point of decision, and they would make the decision as to whom they would award the contract to.

We have not had that case arise to date.

Chairman SISISKY. Mr. Ireland.

Mr. IRELAND. Just one additional question. I would ask the gentleman from Commerce to comment. We heard some talk that Bechtel has decided to do no subcontracting whatsoever. Can you cast any light on that? Do you have any impact on that?

Dr. DUESTERBERG. I have no knowledge of what their plans are for subcontracting. We would like to know more about what some of the major contractors are going to do. We just don't have that information.

Mr. IRELAND. Will you be asking for that information?

Dr. DUESTERBERG. We will be talking to these contractors.

Mr. IRELAND. Could you let us know?

Dr. DUESTERBERG. Certainly will.

Mr. IRELAND. Thank you.

Chairman SISISKY. Again, gentlemen, I thank you for being here this morning and for your testimony.

I would just like to emphasize to the Commerce Department, the Small Business Administration, the Department of the Army, and our other witnesses, this is a very unique opportunity to get small businesses involved in exporting, in my opinion. Let's not let this opportunity pass by. Believe me, you just have to keep on top of it

every minute. I do appreciate you being here today. Thank you so much.

Chairman SISISKY. It is now my privilege to welcome Mr. Lawrence H. Framme, Secretary of Economic Development for the Commonwealth of Virginia. He is here to discuss Virginia's efforts in this area and its Kuwait Redevelopment Group.

Larry, it is always nice to have a fellow Virginian before the panel. I thank you for agreeing to testify. Following him is Mr. Howard L. Hills, Vice-President and general counsel of the Overseas Private Investment Corporation. He will talk about OPIC's role in this endeavor.

Completing the panel will be Mr. Arthur Pilzer, representing the Export-Import Bank of the United States. Mr. Pilzer is presently the Vice-President of the African and Middle East division and will discuss today the Export-Import Bank's plans to assist businesses seeking to do business in Kuwait.

TESTIMONY OF LAWRENCE H. FRAMME III, VIRGINIA SECRETARY OF ECONOMIC DEVELOPMENT

Mr. FRAMME. Thank you very much, Mr. Chairman.

It is an honor to be asked to be here this morning to testify about the assistance Virginia Governor L. Douglas Wilder and the Commonwealth have given to small businesses to help them play a significant part in the rebuilding of Kuwait. I do want to note first, Mr. Chairman, the Commonwealth and our Governor are extremely proud of the contributions our troops made to the liberation of Kuwait. They began returning to the old dominion Friday. We look forward to welcoming them home as soon as possible.

Mr. Chairman, we want our troops to come home to the welcome arms of their families, and to the grateful arms of the Commonwealth, but also to an economy that affords them, their families, and all Virginians the opportunity to enjoy good jobs now and in the future.

To achieve this, we must first work together to turn around a sluggish economy. The opportunities for small business you are exploring this morning will help that in considerable measure.

First, I would like to put our efforts here this morning in context. As you know, Mr. Chairman, we in Virginia, like most of our sister States, have had to face a significantly reduced rate of growth in State revenues. This has caused our revenues to fall short of projections. Governor Wilder balanced our budget in the face of this in a fiscally responsible manner and set the stage for future economic growth by refusing to increase the tax burden on our citizens.

He created a $200-million reserve in our budget by cutting Government spending. He understands, to stimulate economic development in the long-term, we must maintain a hospitable atmosphere for business.

In addition to creating a favorable business environment, our Commonwealth has also a significant role to play in helping small businesses prosper, not by handouts, but by helping them find opportunities for growth.

We are doing that in many ways in Virginia. One example is our statewide system of small business centers that provide technical assistance to our businesses in other localities. Another example is our community service representatives who call upon Virginia businesses daily to explore with them opportunities for new markets and better and more efficient ways to conduct business.

Both of these programs, Mr. Chairman, will be used in our Kuwait-related efforts. Most relevant to today's proceedings are the Governor's efforts to bring Virginia's small business into the global marketplace.

In recent months the Governor more than doubled the number of businesses we call on with offers of help and assistance for international marketing efforts. Through our international marketing planning program, our State agencies, in partnership with our colleges and universities, help businesses prepare international marketing plans, nearly 100 of them every year. We have also created an educational arm for our international trade effort that assures the importance of the international marketplace is understood by Virginia's students as early as grade school and emphasized even more in their higher education.

These and other programs, which we can't take the time to describe this morning, have provided Virginia with a solid foundation for building our position in the international market.

As you see, our emphasis has been on helping small businesses find new opportunities and provide information to help them exploit those opportunities. Mr. Chairman, the rebuilding of Kuwait presents such an opportunity. In Virginia, we have the diversity of products and services and the quality of work force to provide virtually any product or service needed in the rebuilding effort. As the home of major international business firms, the largest labor base in the free world, and the finest, fastest-growing, and most efficient port on the east coast, the Port of Hampton Roads, part of which resides in your congressional district, Virginia has the strength and flexibility to immediately be responsive to the needs of Kuwait.

To enhance our ability to respond quickly to this opportunity, Governor Wilder has established in Virginia the Kuwaiti Development Assistance Group. This group, a coordinated effort between the Virginia Department of Economic Development, the Virginia Port Authority, the Department of Agriculture and Consumer Services, our congressional delegation, and our private business sector, has already begun to compile and distribute to Virginia business—especially small business—the information necessary to put them in contact with key contracting officers to assess the immediate and long-term needs of Kuwait and help match our businesses with those needs.

Already, the group has received nearly 1,000 telephone inquiries from Virginia business and private citizens interested in supporting the rebuilding effort. Building on an already extensive data base of Virginia businesses and their capabilities, this group has begun to contact over 2,000 Virginia businesses to supply this much-needed information.

Of course, Government cannot act as a broker of private contracts, but the Governor has worked quickly to provide a compre-

hensive and accurate information resource to which small business can turn. I am pleased to say Virginia businesses already are taking a leading role. Our senior Senator noted last week that 30 percent of the contracts awarded to American firms in connection with the Kuwait rebuilding effort have been awarded to Virginia-based businesses.

This type of service already contracted for in Virginia varies from computer systems to office supplies and military uniforms.

Yet, while Virginia has moved quickly to put Virginia small business in a premiere position to help, we must guard against unrealistic expectations and the failure to exercise sound business judgment in entering this market.

Our matchmaking, Mr. Chairman, whether it is done at the State level or the Federal level, does not guarantee a profitable transaction. Governor Wilder's efforts are aimed at introducing Virginia businesses to customers in Kuwait, but it is up to business, not Government, to evaluate the ability to serve the customers' needs, to assess the capabilities to serve them profitably, and to evaluate objectively the merits of the transaction.

The opportunities in Kuwait, Mr. Chairman, are exactly the opportunities that you just pointed out. It is an opportunity to significantly expand the role of small business in the international market. While we strongly encourage this expansion, we also must caution firms, especially small firms, to thoroughly and objectively evaluate the risks as well as the benefits and to understand applicable laws, customs, and all of the other relevant aspects of these transactions before committing substantial assets to them.

Our economic development agencies in Virginia, especially the trade division of the Department of Economic Development and the Port Authority, are anxious to help our small businesses with the information necessary to conduct these evaluations and even to help them learn how to do them properly. But the international marketplace is not without risk, and, in the final analysis, the evaluation of that risk, like the evaluation of benefits, must be realistically undertaken.

Mr. Chairman, recent reports to us in Virginia—as I mentioned, we have had nearly 1,000 calls to our Department of Economic Development alone—indicate small business is having some difficulty finding a ticket to this dance. I noted the same comments or comments to that effect within the last couple of days in a Wall Street Journal article. Governor Wilder's efforts, through our Kuwait Redevelopment Assistance Group, are geared to helping Virginia small business find that ticket quickly. I know that is a goal shared by you and a primary role for this hearing this morning.

I would, Mr. Chairman, like to make a request to you, and to the agencies, and the Corps that testified this morning. That would be the State agencies—at least I can speak for Virginia—are ready and geared to help contact small business. We can help streamline this process, as was mentioned earlier this morning. We have direct contact, as I mentioned already, with over 2,000 businesses. This permits a leveraging of Government efforts if there is close cooperation between the Federal agencies and State agencies, and in Virginia that would be the Kuwait Redevelopment Assistance Program.

I ask, Mr. Chairman, that these agencies here and the Corps take a special time with State agencies and specifically including our Kuwait Redevelopment Assistance Group and to give them extra time and perhaps even special attention. We can save them time. We can save them money. We can help them get the information they seek to get to small business quickly and dispersed more rapidly. I hope they will take advantage of this opportunity.

Mr. Chairman, I applaud the work you are doing here today and particularly the speed with which you have reacted for the benefit of small business. I want to express my personal appreciation, and that of the Governor, for the opportunity for us to participate and to hear the outstanding witnesses that you have called to testify today. I know from personal experience of the efforts you personally have made over the years on behalf of small business and the small business of Virginia and the United States have benefited greatly from your efforts.

Governor Wilder and the Commonwealth look forward to the continued close cooperation and support that has been a hallmark of your service, Mr. Chairman. Thank you very much for the opportunity to be here today.

[Mr. Framme's statement may be found in the appendix.]

Chairman SISISKY. Thank you. Mr. Hills.

TESTIMONY OF HOWARD L. HILLS, VICE-PRESIDENT AND GENERAL COUNSEL, OVERSEAS PRIVATE INVESTMENT CORPORATION, ACCOMPANIED BY JOHN HEREFORD, INVESTMENT DEVELOPMENT ASSOCIATE, AND CLARK FISHER, POLITICAL RISK INSURANCE OFFICER

Mr. HILLS. Mr. Chairman, I have a prepared statement which I would like to respectfully request be included in the record.

Chairman SISISKY. We have already taken care of this. All the full statements will be placed in the record.

Mr. HILLS. Thank you. I will spare the committee a complete reading of my formal statement. I expect it does not happen very often that a witness appears before you and does not express appreciation for the opportunity to be heard. I know you have heard a chorus of these kinds of comments this morning, with which I would like to associate myself.

I would like to add special emphasis on the fact that OPIC, as a Federal agency seeking to help small business participate in the reconstruction and economic development of Kuwait on a long-term basis, is especially grateful for this opportunity because one of the greatest tasks we have before us is to educate the U.S. small business community about what OPIC can do for them in this process.

Frankly, this hearing today, made possible the extraordinary effort that your staff has committed in pulling this together on short notice, and your leadership is providing OPIC with an exceptional opportunity to reach out and contact small business.

We expect the hearing to play an important educational role in raising awareness in the small business community about OPIC and the services we can provide. On behalf of Fred Zeder, president and chief executive officer of OPIC, we want to thank you and commend your staff for organizing this forum.

I would like to comment on some of the previous statements made here today. Before I do, let me say a few words about OPIC. OPIC is a Government corporation that operates as an agency of the executive branch. We try to conduct ourselves as a business, and we pride ourselves for operating on a sound financial basis. From listening to the questions of the members of the committee this morning, I know that an important item of business to be transacted here today is to provide you some telephone numbers which may be helpful to small businesspersons interested in opportunities in Kuwait. I have come prepared to give you some telephone numbers. I have with me John Hereford, an associate in our investment development department.

I want to ask him to supply the committee with numbers for small businesses to call at OPIC.

Mr. HEREFORD. Mr. Chairman, if any Members of Congress or your staff are contacted by businesses seeking information on OPIC programs in Kuwait, we can assist them. We recommend they call our offices at 1-800-424-8742 or area code——

Chairman SISISKY. Repeat that again slowly.

Mr. HILLS. If we were on network news we could flash the number on the screen.

Mr. HEREFORD. 1-800-424-8742 or area code 202-457-8210.

Mr. HILLS. Thanks, John.

Also, Mr. Chairman, I want to introduce Clark Fisher from our insurance department.

Clark is the person at OPIC who has been a Middle East expert for over a decade. He has been actively involved in putting together for OPIC post-conflict reconstruction program. This began back in September. Clark Fisher is an individual and a name I would like to get on the record for people interested in talking to OPIC about our programs in the Middle East.

Clark Fisher is our in-house expert.

Mr. Chairman, to move quickly, let me tell you more about OPIC. OPIC operates in 118 countries around the world. In my visiting those countries, speaking with host country American chambers of commerce, and visiting cities all over the United States, one of the things I speak about most often are the four principal missions of OPIC.

One mission is to marshal U.S. private capital and leverage, using our authority as a Government agency, U.S. capital into overseas investments. By doing so, OPIC projects jobs in the host country and jobs in the United States.

We also have a primary mission of promoting privatization. This is particularly important in the context of economic reforms taking place in Eastern Europe, Nicaragua, Panama, South America, and Africa. We have a public policy mission that includes environmental protection in association with business development, workers rights, and international human rights. A fourth primary mandate we have at OPIC is small business. We are very aggressive in carrying out this mandate and have a major allocation of resources for small business.

I think it is long overdue for OPIC to appear before the Small Business Committee. We really welcome this opportunity to establish this direct relationship with this committee. OPIC does a great

deal for small business. I would say your colleagues on the House Foreign Affairs Committee and the Senate Foreign Relations Committee have been solicitous of the interests of small business in their oversight of OPIC as a U.S. Government agency.

Now, focusing in clearly on the Kuwait situation, I would like to refer to a couple of comments that I have heard here today. Fawzi Hamad Al-Sultan's talk commented about three basic ways of doing business in Kuwait. One is if you are a big company and have an historical presence there, you obviously have a basis for resuming business there now. He also commented the second primary modality for doing business there in the reconstruction process is to establish a new presence.

Third, he talked about whether you have a historical presence or not, entering into joint venture relationships there is a way for a small business to enter into the marketplace.

I just want to tell you, Mr. Chairman, that in our finance program we have a direct loan program for loans up to $6 million, which is targeted specifically to small business.

We can also provide guarantees in amounts. We also assure U.S. private investment through our Political Risk Insurance Program. Mr. Framme talked about the risks small businesses encounter in the international marketplace. That is what we protect against. We help small businesses and large businesses manage political risk with our finance and insurance programs.

My message to the committee, Mr. Chairman, is that OPIC can help U.S. small businesses accomplish exactly what Mr. Al-Sultan said they needed. We can help them establish a presence or we can help them find joint venture partners in Kuwait. We have been active in Kuwait since 1975 when we took our first group of U.S. investors there as part of an OPIC investment mission. We signed a bilateral with them a few years ago.

Although our program there is of recent vintage, we had a few million dollar projects already on board when Kuwait was invaded. We would have been expanding our program there had the invasion not occurred. Now that this new situation exists, and there are opportunities for U.S. business, we expect to be expanding our program there.

Mr. Owen from the Department of the Army and the gentleman with him from the Army Corps of Engineers mentioned that a number of small businesses had not gotten in on this first wave of contracts because of prequalification problems. I think, in many cases, that had to do with an inability to make adequate representations about being able to deliver on the contract and perform the contract on a timely basis.

OPIC has an Opportunity Bank Program which has on computer over 3,000 U.S. businesses and project opportunities, including a large number of small businesses. We can work with small businesses to help them put together the short-term political risk coverage and financing they need on a prompt basis in order to be able to deliver on the timing of those contracts. As this process goes forward, this could help overcome some of the prequalification problems that they are having.

I will conclude, Mr. Chairman, by pointing out that OPIC is an instrument of foreign and economic policy of the United States and

is an instrument of the small business policy of this committee. As such, we are working with the Small Business Administration, the Department of Commerce, and Secretary Mosbacher's Trade Promotion Coordinating Committee. We will continue to do that.

But what we do best at OPIC is we put deals together. We are already working with some small businesses who are competing for subcontracts under the prime contracts that have already been let. We had them in our office last week and are working with them. We worked with some of these same companies in Panama, Argentina, Brazil, and Chile. We are going to work with them in Kuwait.

Our main task at this point is to educate the small business community in the United States on what OPIC can do for them. In that regard, there are other materials in addition to my prepared statement that, with your permission, I would like to submit for the record so that this information can be made available to small businesses through this record.

Chairman SISISKY. Without objection.

Mr. HILLS. That is all I have for you this morning, Mr. Chairman.

[Mr. Hills' statement, with attachment, may be found in the appendix.]

Chairman SISISKY. I have a strange feeling your phone is going to be ringing.

Mr. HILLS. I also wanted to mention OPIC has a very aggressive outreach program to State and local governments.

In keeping with Mr. Framme's request that Federal agencies work closely with the State agencies, including his, OPIC officials will be meeting this afternoon with Martin Briley from his office to talk about how we can help small businesses in Virginia. We are ahead of the curve on that one.

Chairman SISISKY. Thank you.

Mr. Pilzer.

TESTIMONY OF ARTHUR PILZER, VICE PRESIDENT, AFRICA AND MIDDLE EAST DIVISION, EXPORT-IMPORT BANK OF THE UNITED STATES

Mr. PILZER. I do not have a prepared written statement, but I have a couple of comments to make about Eximbank and our role in rebuilding Kuwait.

We reopened in Kuwait on March 7, having been closed since the invasion on August 2. We are now prepared to offer short-, medium-, and long-term guarantees and insurance to U.S. companies that win contracts in Kuwait.

Eximbank historically supports the small business community. Approximately 24 percent of all the financing that we do assists small business directly. In addition to our regular programs, we also have a program specifically designed to help small business, our working capital guarantee program. That is for a U.S. company that wins a contract in Kuwait but does not have the working capital to build the product or manufacture the machine without such working capital.

We are prepared to offer our guarantee to a lender to provide that working capital support.

At the current time, we have not been inundated with phone calls, primarily because I think we are probably going to be involved in the long-term contract side rather than the 90-day period the Engineer Corps is currently involved in.

I would imagine that probably over the next 60 to 90 days we will receive a lot of contact from both small and large companies that are either in the process or have already signed contracts with the Kuwaitis. We have made contact with the Kuwaiti Ambassador, Ambassador Sabah. We have also made contact with the national bank of Kuwait whom we imagine is going to be the primary conduit in Kuwait for private sector lending into Kuwait.

We have also sent a letter to the Minister of Finance and to the central bank Governor, offering Eximbank support for the rebuilding of Kuwait. We hope to negotiate a protocol or framework agreement with the Government of Kuwait to expedite contracts once they are forthcoming to the United States companies.

That concludes my comments, Mr. Chairman.

Thank you.

Chairman SISISKY. Thank you very much.

All three of you, thank you.

Mr. Hills, just one question.

Secretary Framme alluded to this. There may not always be an easy path over there. Are there any particular commercial risks that U.S. businesses should be aware of before planning to do business in Kuwait?

Mr. HILLS. Well, the investment climate in Kuwait right now is obviously driven by this reconstruction contacting process that is going on. We believe that if small businesses, either as subcontractors or going in with a strategy to establish a presence there, can compete and participate now, they will be better able later on to make their own judgments about whether there are long-range commercial opportunities in that marketplace.

We would hope that the foreign investment policy of the Government of Kuwait that will be evolving as the reconstruction process moves forward will be one which will open the doors to U.S. investment and to small businesses for a variety of economic activities there and in a number of different sectors.

The political risks in Kuwait are somewhat more obvious today than they were last year at this time. We can work with small businesses to help them put together risk management programs for their investment strategies whether it requires expropriation, political violence, inconvertibility of currency, or contractors' insurance. Then, once they establish a presence over there or get some experience on the ground, we can work with them to develop long-term investment strategies that OPIC can then assist.

One specific program I wanted to describe, Mr. Chairman, if I may, with respect to risk protection, is our contractors and exporters' insurance program. This is available and designed to insure against wrongful calling of bid bonds, performance or advance payment guaranties posted by U.S. contractors to help them manage other aspects of risk.

The more concerned small businesses are that there are political risks in doing business in Kuwait, the more they need to talk to OPIC to find out what we can do for them.

I have answered the question thus far by talking a little about the political risk aspects. As to commercial risk, to the extent small businesses need financing, OPIC has a small business direct loan program for loans up to $6 million. We work with private U.S. companies, and we have an investment development department that works with them to help them put together a formula for success.

With people like Clark Fisher on our staff, we are aware of the unique social, cultural, and environmental issues involved with Kuwait. One thing that is going to be interesting in the Kuwait reconstruction is that among his other incarnations, Saddam Hussein established himself as one of the world's first infamous environmental terrorists. There is going to be, as has been referred to this morning, some business to be done helping in there.

There are a number of environmental companies in the United States that we already work with to do environmental projects. In addition, OPIC is in the process of establishing an environmental investment fund which will be a privately held venture capital fund, capitalized with assistance from OPIC, to promote investment in environmentally sustainable investment projects all over the world. Kuwait and its environmental disaster may create a real marketplace for our environmental investment fund and our financing aimed at amelioration of environmental disaster. The environmental investment fund is a program we are already targeting to help remedy the ravages of State-controlled economies in Eastern Europe and what was done environmentally in Eastern Europe during the Cold War.

We can work with companies, whether they are going in for environmental cleanup or whether they are targeting some other aspect of the reconstruction process, to help them put together a formula for success and manage political and commercial risks.

Chairman SISISKY. Excuse me. Mr. Fisher, did you want to say something?

Mr. FISHER. If I may build on a comment Mr. Hills was making to your explicit question on the commercial risks, I would point out large and small contractors are likely to be asked by the Government of Kuwait to put up bid bonds probably in the amount of 5 percent of the contract price, followed by, if they would be awarded the contract, a performance bond likely to be 10 to 15 percent of the contract price.

In the event they receive an advance payment, they are likely to be asked for an advance payment guarantee, also about 10 percent. Therefore, approximately 30 to 35 percent of the contract price may very well be tied up in the form of irrevocable standby letters of credit.

We see there is potential, depending upon how the situation plays out, including whether or not these bonds are going to be asked for by the Kuwaiti Government of the risk of a wrongful drawing as Mr. Hills pointed out.

This is a risk which OPIC can help insure through our contractors and exporters program. We are prepared to do so.

Chairman SISISKY. Thank you.

Mr. RAY OF GEORGIA. Secretary Framme, thanks for your report on how well Virginia is doing. Are you able to share with us the

type of contracts? I know Virginia seems to have had a number of contracts. Are they large contracts?

Mr. FRAMME. I would not characterize them as large contracts. They are in the, generally, $1-million to $6-million range. They run the gamut, as I mentioned, from supplying additional military uniforms to computer services, planning services.

I guess if I had to characterize most of them, they are computer-related, at least the ones that come from Virginia.

Mr. RAY OF GEORGIA. Are these contracts due to previous businesses with Kuwait or just aggressiveness on the part of the contractors?

Mr. FRAMME. Probably both, Mr. Ray.

Mr. RAY OF GEORGIA. Mr. Hills, I know Kuwait has recently replaced its old currency because of the extensive looting and the damage that was done by Iraq. What problems, if any, does this new currency present to U.S. businesses and how might they protect themselves?

Mr. HILLS. With your permission, I will ask Clark Fisher, an expert on currency and convertibility, to respond to your question.

Mr. FISHER. Thank you.

Mr. Ray, I think that is a cogent question to be sure. I don't believe at the moment the full extent of the problems that might arise is entirely clear because banking relations with Kuwait have not been reestablished.

I think we can expect that the Kuwaiti Government will make a significant effort to establish quite quickly the credit-worthiness of the new currency. I think that it is important for the word to get out to U.S. companies what is the color, for example, and the format of the printed currencies so we can be assured we are taking good money as opposed to bad money.

OPIC, as mentioned earlier, has an insurance program which protects the conversion of currency, in this case from the dinar to the dollar. This may be called upon on a project-by-project basis in the near term until such time as that currency, the dinar, is fully established in the eyes of the world in terms of its credit worthiness.

Given the vast assets the Government of Kuwait owns, we would expect that that would take a relatively short period of time.

Mr. RAY OF GEORGIA. Mr. Pilzer, has the Eximbank considered, or are you establishing, a special financing program for businesses that want to do business with Kuwait?

Mr. PILZER. Mr. Ray, we will not establish a separate program for Kuwait, because we have no idea what the volume would go for our assistance. But we do have programs in place now to help small business.

Mr. RAY OF GEORGIA. I believe you pointed out Eximbank has already financed its financing of sales to Kuwait?

Mr. PILZER. We went on cover March 7. We have yet to issue a new policy under that cover. We have not yet been approached. We are on cover and do expect to do so.

Mr. RAY OF GEORGIA. You expect that to be forthcoming?

Mr. PILZER. Yes, sir; we expect to have applications made to Eximbank. We will consider them.

Mr. RAY OF GEORGIA. Thank you, Mr. Chairman.

Chairman SISISKY. Mr. Ireland.

Mr. IRELAND. Thank you, Mr. Chairman.

I think we are blessed here this morning with this group, something you and I have seen over the years that isn't always with us. We have particularly two agencies, or if we can consider Mr. Framme representing all States and OPIC two States, two entities that have really stepped out and are kind of leading the pack in export, in activity, not only in this particular crisis of opportunity but over a period of time, and it is really good to see things work.

I would only caution you, Mr. Framme, not to use too frequently that you already have 30 percent of the market or some subcommittee that has to do with monopoly will no doubt be calling you back for a hearing as the other States protest your grabbing the market.

Hats off to you. That is a nice piece of work, and to OPIC, too.

I wonder in the OPIC operation, Mr. Hills, what kind of outreach you have to the States and what your marketing activities are to communicate? You have touched mostly on communicating directly to businesses. What about relations with States? I know you are going to have this meeting with Virginia. Is this an active outreach program for OPIC?

Mr. HILLS. Yes; it is one that is ongoing.

Our investment development department has a comprehensive strategy for all 50 States. In fact, Ambassador Fred Zeder, our president and chief executive officer, has had developed a strategy for the U.S. territories for U.S. businesses in Puerto Rico, Guam, and America Somoa. So, we are leaving no stone unturned.

For example, since we have come in at OPIC, I just was doing some research. I found out that OPIC had never done anything in San Diego. Now, San Diego, if it is not the second largest city on the west coast of the United States, it is very near. It is a major location for corporate headquarters.

We have never done anything in San Diego. In April, for the first time, OPIC is taking a big initiative in San Diego. We have the support of the local chamber of commerce, bar association, and other organizations. We are going to penetrate into that marketplace through a conference and seminar on doing business in Eastern Europe.

In October of last year, OPIC hosted here in Washington, DC, a conference on "Investing in Freedom." The theme of the conference was conceived of by Ambassador Zeder, and it was very successful in focusing on the role of the U.S. private sector in support of political and economic reforms.

When you talk about the economic power of the United States to assist reforming economies and democratizing nations, you are not talking about the financial power of our Government. You are talking about the financial power of our private sector. For example, how can you leverage the U.S. private sector using those authorities we have under the SEED legislation Congress enacted in November 1989 to promote investment into Eastern Europe?

It is the same situation in Nicaragua, Panama, throughout Latin America, and all over Africa.

We used that conference to reach out to the American business community. For example, we had participation by President Diouf

of Senegal and President Menem from Argentina. We also had speeches by the Vice President of the United States, Mr. Quayle, Deputy Secretary of State Larry Eagleburger, and Secretary of Commerce Mosbacher. Just as importantly, business people from States and communities all over the Nation came and participated in the OPIC conference.

Secretary Mosbacher said something I have heard him say on a number of occasions. I know Fred Zeder told all of us at OPIC to pay attention when we hear it. Secretary Mosbacher, in this new approach to foreign assistance which emphasizes not just grant assistance to governments but private sector participation, said there is a partnership between the Government and the private sector. In that partnership, the private sector is a senior partner and the Government is the junior partner.

We try to approach our business that way and go out to the communities, and in doing so, we go out to small businesses in the country.

For example, in Hungary—and I know we are talking about Kuwait today, but just to fully answer your question, let me give you an example of OPIC's responsiveness. In Hungary, OPIC received a lot of favorable publicity and a lot of brownie points for doing the General Electric deal in Hungary. It is a $150 million project, and we are proud of it. It includes an environmental upgrade component. We have a very positive story to tell about that project.

We turned around and probably put as much time, or more, into doing a $50,000 project with a sign maker from New Jersey in Budapest. What Ambassador Zeder likes to say when you talk about democratization, it is the small businessperson who will make a difference. When the businessperson in Budapest or in Warsaw keeps a payroll and has his own budget for his own small business, that person is not going to let people push him around as much. He is going to want to assert his rights in a democratic setting.

One of the things that Ambassador Zeder says from time to time is that one of OPIC's goals in our small business program, borrowing a phrase from the President's campaign, is to create a thousand points of light industry.

It is a metaphor we follow in our outreach to State and local communities which is very aggressive.

I might just ask John Hereford, if you care to add anything about the outreach program?

Mr. HEREFORD. Sure.

Mr. Chairman, one of our specific programs for Kuwait is a planned informational seminar to be held in Washington, DC. It will be an interagency effort let by OPIC and the Department of Commerce. The exact date for that is not known. We are taking names for the mailing list and as soon as enough information comes through from the Kuwaitis, we will set a date.

Mr. IRELAND. Do we use that famous number you gave us to get our name on the list?

Mr. HEREFORD. You may.

Mr. HILLS. I would just add, Mr. Chairman, that we have a missions program, a very successful program, where we take U.S. business people to developing countries, and we cooperate with the

local government. We provide the U.S. investor an entree at the ministerial level and the working level within the Government and an entree to local business organizations.

We also take small businesses with us on our missions. This provides for a good exchange of ideas because we will also have some of the biggest corporations in the United States with us. Then, we will also have someone who makes copper pipes or some other small business owner. OPIC missions are another way we reach out to the local community.

Based on what develops in Kuwait, it is not inconceivable that we would be doing a mission to Kuwait or to the region. A final decision has not been made about that, but it is one of the possibilities that exists.

When we do investment missions, we work with the Commerce Department, Eximbank, SBA, and with the State Department. The cooperation and coordination we have with those sister agencies is better than it has ever been.

Mr. IRELAND. Let me ask you about cooperation with other agencies. I realize that there is indeed cooperation. From the State's point of view, we see lots of examples. We have one with us in Virginia that is substantial. Other States have aggressive operations as well.

OPIC is well known for its aggressive activity. You have outlined that.

Is there an opportunity here to spread that disease of stepping out and getting things done to some of our other agencies? In other words, are there ever any times when Eximbank steps out and calls you or SBA calls you for a seminar?

It seems like every time we turn around, it is either a State or OPIC that is leading the parade. It may be these other agencies have a tough time doing that, but perhaps you could give us some insight that we could suggest to them that would help them carry the ball every once in a while.

Mr. HILLS. Congressman, I very much welcome those remarks and the remarks you made earlier. They mean a lot to us because we do work hard at OPIC, and we appreciate your comments.

I have observed, on a number of occasions, there was a watershed event that started with the round-table process in 1988. It did not just produce reform in Eastern Europe. It produced reform here in the United States. I think there is reform yet to come from that process here in the United States. I think it began with the SEED legislation and the process whereby the administration and Congress achieved a consensus embodied in the Support for Eastern European Democracy Act of 1989.

That consensus is we should be coordinating the various elements of the executive branch and using all the authorities that exist. For instance, you have OPIC, AID, and TDP. We are development agencies. We are working with Eximbank, SBA, and the Department of Commerce which are trade promotion agencies. But we are all working toward a common set of foreign policy and economic policy objectives.

Under the SEED Act, as you know, Deputy Secretary of State Eagleburger was appointed to be the coordinator for SEED implementation.

Again, I know this is a hearing about Kuwait, but I think we have a model there. What occurred in that situation is we came up here and worked with Congress, and it was agreed within the administration there would be an approach that would involve combining all these authorities and resources to achieve privatization and other business-related objectives in support of political and economic reform.

When I talk about the whole process that went on with the SEED Act, I look back on it as a model of political decisionmaking between Congress and the executive branch.

I think the same thing is going on with Kuwait. We are working with Eximbank. Eximbank, for example, has done innovative things and is doing innovative things in Latin America to help U.S. businesses be more competitive. SBA was a cosponsor of the conference on Investing in Freedom about which I talked about earlier. I probably left some of other people out.

To conclude, the coordination is better than it has ever been. It is getting better all the time.

Mr. IRELAND. I appreciate that.

Just one more question.

Mr. Pilzer, Eximbank, we talked about reform, and you and I both know we have had kind of a rocky road over the last 10 years. When we discovered less than 1 percent of what Eximbank was doing was going to small business, and Eximbank was saying, early in the 1980's, they did a lot for small business because the big businesses Eximbank did business with, obviously, did business with small business, subcontractors.

The Congress said, "That isn't what we are talking about. We are talking about what is the Nation's only export-import bank doing directly for small business." Legislation resulted that directed Eximbank to operate differently and a program that made Eximbank do more business with States.

I am happy to see that number. According to your statistics, it is 24 percent. I was going to make sure that was 24 percent and didn't include any subcontractor totals and also whether the 24 percent was in a dollar amount or numbers.

Mr. PILZER. The 24 percent does include the subcontractors and is of the dollar amount that we finance. I think you realize that we receive applications—we don't go out and seek applications. We are dealing with a part of the world where commercial banks can do financing without Eximbank. We have a mandate not to compete with commercial bankers but to supplement that which they will not do.

I think we have many programs of outreach through the States. We also have, again, the working capital guarantee program. My staff probably spends half their day on the telephone talking to small exporters and companies throughout the country, telling them how they might go about structuring an export sale.

We have no limit on the size of an application that we are willing to consider. Anything from $10,000 to $2 billion or $3 billion could be considered.

Mr. IRELAND. Could you give me the figure, since it is in part of the law, as a target, that you have the figure? Could you give us

the figure of how much is in numbers and dollars to small businesses?

Mr. PILZER. I am sure we can. I don't have the figure with me this morning.

Mr. IRELAND. Would you get that for us? It sounds to me like it got lost in the shuffle. I hate to see you putting figures out for small business that includes subcontracting. That missed the point that the Congress spoke to some 10 years ago.

Mr. PILZER. We can provide that to you.

[The information may be found in the appendix.]

Mr. IRELAND. The State outreach programs describe a little more about what goes on there.

Mr. PILZER. My expertise is Africa and the Middle East. I don't handle the marketing side of the bank.

We do have programs by which we work directly with State organizations to encourage small companies to sell their product abroad. We provide our assistance to give them financing through the working capital guarantee program, through our foreign credit insurance association, through giving them general expertise and information about how to put together a transaction for a foreign country, what laws may have to be looked into, how do you go about getting a bank guarantee overseas, are you better dealing with open account or letter of credit.

Mr. IRELAND. Since this hearing is directed toward what each of these agencies is doing for small business—and again, I say not on a subcontracting basis—would you find somebody in your organization that can tell us not only the figures of what direct relationship the bank has to small business but also, in with this crisis of opportunity here, what Eximbank is doing to communicate with the States and what it is doing to communicate directly with small business so they might know what the services are and what can be done?

We would like a quick turnaround on that if we may.

Mr. PILZER. Yes, sir.

Mr. IRELAND. Thank you, Mr. Chairman.

Chairman SISISKY. Thank you.

I thank all of you gentlemen for being here. I appreciate the kind words you gave me and, of course, my staff. I want to let you know the staff put this together in less than 7 working days.

I also thank you for your written testimony. A lot of people do not understand that witnesses don't just write the testimony and hand it in. It must be approved. I think this probably will set some kind of record for doing that.

I want to thank my staff and all of the witnesses here today.

I will just close as I opened the meeting today. This hearing was meant to be an informational resource for American small businesses seeking to play a role in the rebuilding of Kuwait. Unquestionably, the opportunities are there. It is just a matter of knocking on the right doors. Hopefully, these doors will be better marked following this hearing.

The hearing is adjourned.

[Whereupon, at 12:25 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

APPENDIX

CHARLES HATCHER
2D DISTRICT
GEORGIA

COMMITTEE ON
AGRICULTURE

CHAIRMAN
SUBCOMMITTEE ON
PEANUTS AND
TOBACCO

COMMITTEE ON
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MARCH 11, 1991

THE HONORABLE CHARLES HATCHER
COMMITTEE ON SMALL BUSINESS
OPENING STATEMENT

Mr. Chairman, I commend you for your leadership in calling this hearing on the role of American small businesses in rebuilding the infrastructure of war-torn Kuwait. This hearing will provide a timely information resource for many small businessmen who can contribute to the multibillion dollar reconstruction effort, the largest in recent history.

I applaud the commitment by the Kuwaitis to do business with the nations who played the greatest role in the coalition campaign to reverse Iraq's aggression against Kuwait. My one reservation is that the urgency to begin the rebuilding effort will lead to the inclusion of the high-profile GMs and Bechtels of our economy, while excluding the small engineering and specialty firms who have much to offer this endeavor. But that is why we are here today, Mr. Chairman, to ensure that American small businesses are involved in the rebuilding of Kuwait.

This subject has generated much interest in my district in south Georgia, which proudly supplied more than its share of the men and women who fought in Operation Desert Storm. It is appropriate that the communities that risked the lives of their sons and daughters should gain some economic benefit from that sacrifice.

I would like to welcome our distinguished witnesses to today's hearing and look forward to hearing their testimony.

Opening Statement
Rep. Andy Ireland (R-Fl.)
Small and Minority Business and the Rebuilding of Kuwait

MR. CHAIRMAN, I WOULD FIRST LIKE TO COMMEND YOU FOR ONCE AGAIN STEPPING FORWARD ON THE IMPORTANT INTERNATIONAL ISSUES OF THE DAY ON BEHALF OF SMALL AND MINORITY BUSINESS. WHETHER IT IS A QUESTION OF TRADE FINANCE, THE EMERGING EUROPEAN ECONOMIC COMMUNITY, OR NOW THE REBUILDING OF KUWAIT THE SMALL BUSINESS COMMUNITY KNOWS THAT NORM SISISKY WILL BE THERE - A CHAMPION OF THEIR CAUSE.

RECENT REPORTS IN THE NEWS MEDIA AS WELL AS PERSONAL CONVERSATIONS I HAVE HAD INDICATE TO ME ONE MESSAGE THAT IS LOUD AND CLEAR. UNITED STATES SMALL BUSINESSES ARE EXPERIENCING GREAT DIFFICULTY IN OBTAINING INFORMATION AND APPROPRIATE CONTACTS ON THE SUBJECT OF DOING BUSINESS IN THE RECONSTRUCTION OF KUWAIT. TWO SITUATIONS CREATE A GREAT DEAL OF FRUSTRATION AND EVEN OUTRIGHT ANGER ON MY PART.

FIRST, DURING THE LAST CONGRESS MR. SISISKY AND I RAISED A HUE AND CRY OVER THE DIRE SITUATION THE UNITED STATES BUSINESS

COMMUNITY FARES WITH RESPECT TO THE DISSEMINATION OF TIMELY AND USEFUL INFORMATION ON FOREIGN TRADE OPPORTUNITIES. WE EVEN WENT SO FAR AS TO CALL FOR A STUDY ON THE EUROPEAN COMMUNITY DATA BASE INFORMATION CENTER SYSTEM DEVISED FOR ALL EUROPEAN BUSINESS. WE DO NOT AND WILL NOT HAVE ACCESS TO THAT MAINLY BECAUSE WE HAVE NOTHING LIKE IT HERE IN OUR OWN NATION. NOW WITH THE KUWAIT SITUATION, THE CHICKENS ARE TRULY COMING HOME TO ROOST.

SECOND I BECOME FED UP WHEN I HEAR GOVERNMENT OFFICIALS AND OTHERS SAY, "DON'T WORRY, SMALL BUSINESS WILL HAVE A LOT OF SUBCONTRACTING OPPORTUNITIES." THIS IS THE SAME WARPED LOGIC THAT USED TO EXIST AT THE EXPORT-IMPORT BANK. SHOVEL ALL THE MONEY OUT THE DOOR TO A FEW BIG MULTINATIONALS AND SMALL BUSINESS WILL GET SOME SUBCONTRACTS. WELL, SMALL AND MINORITY BUSINESSES ARE NOT PART OF SOME TYPE OF SERF SYSTEM WHERE THEY ARE GIVEN THE LEFT-OVER CRUMBS. IN FACT, SMALL BUSINESS IN THE LAST DECADE HAS BEEN THE UNITED STATES MAJOR EMPLOYER AND INNOVATOR. KUWAIT AS WELL AS OUR OWN GOVERNMENT OFFICIALS NEED

TO KNOW THIS.

I AM PLEASED THAT THIS IS THE FIRST CONGRESSIONAL HEARING ON THIS SUBJECT AND IT IS NONE TOO SOON. I AM PLEASED TO BE ABLE TO TAKE PART IN THIS EVENT AND ALSO WOULD ADD A FINAL COMMENDATION TO MR. SISISKY AND HIS COLLEAGUE DENNIS ECKART WHO LAST WEEK INTRODUCED A CONGRESSIONAL RESOLUTION CALLING UPON OUR GOVERNMENT TO STEP UP AND ASSIST SMALL BUSINESS IN THE KUWAITI SITUATION. I WAS PLEASED TO COSPONSOR H.CON.RES. 95 AND I AM PLEASED TO BE HERE THIS MORNING.

Fawzi Hamad Al-Sultan, Executive Director, World Bank

Testimony

to

The Committee on Small Business

United States House of Representatives

Monday, March 11, 1991

KUWAIT EMERGENCY RECOVERY PROGRAM (KERP)

Mr. Chairman,

I am honored to be in the presence of your esteemed Committee to talk about the reconstruction of my country and the role of small business.

The tragic losses and human suffering caused by the Iraqi invasion of Kuwait are immeasurable. The sacrifices which Americans and other members of the Allied Coalition have made on the battlefield and the cost in lives and money especially to the American people are of such monumental proportions that one can only stand back in admiration of the heights which a democratic society can attain in pursuit of principle. The Kuwait people and government remain deeply grateful to President Bush, the Congress, the U.S. House of Representatives, the Senate, the U.S. Military and most of all the American people for the strong support in liberating Kuwait.

Beginning of the Project

During mid-August several members of the Citizens for Free Kuwait (CFK) in Washington, developed ideas on issues and tasks that would be needed during the initial phases of re-entry into Kuwait and during the reconstruction of the country. CFK suggested that the

World Bank prepare a preliminary discussion paper. After consultations with the Minister of Finance and the Governor of the Central Bank of Kuwait (CBK) a request was made both to the World Bank and the International Monetary Fund. The Bank would write on the institutional structure and tasks required for an emergency/recovery program, while the IMF would address issues concerning the CBK and the banking system. The IMF paper was sent to the Governor for review and the Bank paper was discussed by CFK on September 5, 1990. After re-drafting the paper to include the experience and knowledge of several CFK members several copies were sent to the Government in Taif, Saudi Arabia.

The Kuwaiti Council of Ministers set up a committee for reconstruction, and the planning process was initiated during H.H. the Emir's visit to New York and Washington together with the Minister of Foreign Affairs, the Minister of Finance and Minister of Planning.

U.S. Civil Affairs, Department of Defense (DOD)

On October 4, 1990, the Ministers of Finance, Planning, and the Kuwaiti Ambassador attended a presentation at the Pentagon on the role of civil affairs. The Ministers discussed the need for assistance and coordination of Kuwait's emergency program and agreed that the Ambassador would officially request assistance by writing to President Bush. I was asked to coordinate the program and on the following morning, I assisted in drafting the letter which was sent on October 9, 1990.

Before official contact could begin between the Pentagon and Kuwaiti authorities on civil affairs (CA), the U.S. State Department and Department of Defense (DOD) would have to agree formally on the modalities for cooperation. The role of civil affairs would be to refine and coordinate the program's implementation in line with U.S.

military procedures during forced or peaceful entry. Up to 1500 Civil Affairs personnel were expected to be in Riyadh and reservists from various backgrounds would be called up to assist the Kuwaiti teams in Washington.

On November 15, at a meeting at the Pentagon attended by the Kuwaiti Ambassador and the U.S. Ambassador designate Edward Gnehm, a draft terms of reference for assistance by the Civil Affairs and other Federal agencies was presented, reflecting official approval of the Kuwaiti request for assistance. A U.S.-Kuwait Committee was established to oversee and approve the draft plans. We were also informed that 50 reservists would be called in to assist within the next week. On December 3, the reservists attached themselves to the Kuwaiti task force committees and began the process of reviewing their programs.

The World Bank

On October 3, 1990, the Minister of Finance sent a letter to Mr. Barber Conable, President of the World Bank, requesting technical assistance.

The Council of Ministers asked the core sectors to set up teams of four senior officials each.

In preparation for the Kuwaiti task force, offices were located and furnished by the Bank with full computer, telecommunication and secretarial assistance. A number of consultants were hired for variable periods for specific tasks such as the restoration of medical and electricity services, procurement, legal and policy framework. There was a heavy emphasis on experience in disaster or war type emergencies.

The first officials arrived on October 26, 1990, and over the next three weeks other core and support teams were added to the task force. The following teams were formed in Washington.

(1) Public Health
(2) Electricity and Water
(3) Oil and Gas
(4) Transportation
(5) Telecommunications
(6) Security
(7) Public Works
(8) Planning

Other teams such as those set up by the Central Bank of Kuwait, Ministry of Justice, Higher education, and Kuwait Airways coordinated their work with KERP and kept us informed of their requirements.

The recovery program will consist of three stages:

1. Emergency Relief

This is expected to cover a period of three months and will cover humanitarian assistance and start-up of essential services. Kuwaiti teams covering food, medical care, water, electricity, sanitation, communications, transport, ports, airports, public works, fire-fighting, oil, gas, and security have drawn detailed action programs for their sectors based on a worst-case scenario, i.e. all systems down. Each sector's program will be independent of any existing facility. The critical list of goods and services were identified, and contracts for such services and procurement have either been signed or are under negotiation.

This stage will also include damage assessment teams for each sector or facility. For instance, while mobile generators and tanker supplied water will be available for a critical facility, desalination plants, which also provide electricity, will be assessed for damage

and repair needed for partial or complete start-up in the event of shut-downs. In parallel with the emergency program, a group of strategists will review Kuwait's economic and financial structure to determine policies and criteria during the recovery and reconstruction phases.

The Government structure during this stage will operate as a crisis management unit and under emergency legislation.

2. Recovery

The focus of the recovery Program would be to bring the country back to some reasonable level of normal social and economic operation. The sectoral damage assessment reports would be used to identify and prioritize urgent rehabilitation needs of essential public infrastructure and plants without constraining the choices relevant to the subsequent reconstruction phase. This phase is expected to take up to two years. The expected size and demographics of the population would be a critical element in determining the level at which, and how, utilities will be restored. Besides the policy constraint, an efficiency constraint is expected to work alongside the policy. Each activity, such as electricity or medical services would be starting with only a skeleton staff in the emergency phase. The expansion of such management should be guided by transparent cost-recovery pricing policies and an emphasis on Kuwaiti value added. This would mean massive reorganization and training programs in the Ministries and other public institutions. Such an expansion also raises the fundamental question as to whether the activities should be performed by the government, contracted out, or owned by the private sector. Other issues during this phase, include start-up of the financial and banking sector, legal structure, and private sector activity, in general. Most private institutions are expected to be in distress because of the losses in assets or asset values and would need to be guided by fiscal and monetary policies.

Before and during the emergency phase, these policy options would have to be defined. While they would have short-term implications as mentioned above, they also have long-term implications on the social and education structure. These would include incentives to encourage management skills and excellence in education priorities.

The Government structure at this stage will gradually build up towards normalcy with legislation and national goals being decided by the National Assembly.

3. Reconstruction

The focus of the reconstruction phase would be to implement the national reconstruction program based on national priorities. The Government's role in managing a fiscal and monetary policy will be critical for achieving the allocative effects of the restructuring actions initiated during the recovery phase. Most of the infrastructure is expected to be reconstructed during this phase after damage assessment and detailed designs have been completed. Education, training, organization and management are expected to be the main thrust of this phase.

The contracts signed and materials purchased by KERP over the past few months are mainly for the emergency program, i.e. the first three months. KERP's functions were to coordinate and integrate the emergency action plan primarily because of the lack of a functioning government administration inside Kuwait and whose government officials were widely dispersed geographically. As the government builds up its administration, KERP's functions would be taken up by the Ministry of Planning. The World Bank recommendations have included setting up a National Reconstruction Council to guide the government in its decisions concerning population policy, reorganization of the ministries, private sector issues and other economic and social polices.

Organization

KERP reports to H.E. Fahed Al-Hasawi, Minister of Municipal Affairs, who in turn reports to the Committee for Reconstruction which includes all the services and utilities ministries that are part of KERP. Each KERP team also reports directly to its Minister for policy and approval of contracts and materials.

I was coordinator for the program from its inception up to December 28, 1990, after which Dr. Ibrahim Shaheen was appointed director for the implementation of the program. The teams left for Jeddah on January 28, 1991 and later to Dammam. At present, most of the teams have moved into Kuwait. A liaison office, headed by Dr. Abdulhadi Al-Awadi, is responsible for follow-up work on the contracts that have already been signed or are in negotiation.

Future World Bank Involvement

The recovery and reconstruction programs will depend on damage assessment reports and policy decisions, particularly the role of the private sector and a high-value added strategy. A policy framework paper was developed with the assistance of the Bank and there is an on-going dialogue with the Minister of Finance and the Minister of Planning. I expect the government to take decisions on these policies after the initial phases of the emergency program.

Financing Reconstruction

Kuwait's financial position, despite the disaster, continues to be strong because of its substantial foreign investments. The economy's potential for growth is also excellent because of its extensive oil reserves. There are several options for financing the reconstruction program. The mix chosen would depend on the relationship between income flows and expenditure.

For the first few months until oil production is restored investment income (normally $6-7 billion) and possible sale of some liquid assets will continue to be Kuwait's main source of funds. The Kuwait Investment Authority has traditionally maintained a highly liquid position in its portfolio. No liquidation of its core investments are expected. The oil sector is expected to restore oil production at 400,000 to 500,000 bl/day level (one-third of normal OPEC quota) within a few months, adding initially about $3 billion/year to revenues and gradually reaching $8-9 billion as fires are put out and the wells brought back into production.

While expenditures are expected to range between $40-50 billion over the next seven years any gap between income and expenditure can be covered by short-term borrowings supplier and export credits. Privatization of much of the facilities previously run by the government and state-owned or supported enterprises could have a significant impact on the financing program. The private sector, both Kuwaiti and American, could participate in building, repairing, and operating facilities such as electricity, water, communication, medical care, etc.

Procurement during the Emergency Phase

Because of the extensive damage to records and files in Kuwait contact was first made with companies operating in Kuwait prior to the invasion on August 2, 1990. This was to obtain blue prints and specifications of each facility or building needed during the emergency period. A critical list of goods and initial scope of works needed was drawn up and purchases and awards were on the basis of availability, speed of mobilization and experience in Kuwait.

It was explicit Kuwaiti government policy to give priority to American companies and up to 70 percent of the works during this phase are being performed by American companies. The budget for this phase was $850 million.

Role of Small Business

Traditionally small business has had a significant involvement in Kuwait particularly in providing services and supplying materials. With a greater emphasis on Trade with the U.S., I expect these well be an increasing role for small and minority businesses.

Interested companies will have several options:

1. Acting as supplier or sub-contractor to American business operating in the area;

2. entering into an agency agreement or partnership with Kuwaiti companies, which can provide local experience and information on potential work; and

3. setting-up a Middle East representative office to handle business in the Gulf and other Arab countries.

Kuwait also plans to cooperate with U.S. Government agencies and Chambers of Commerce to set up an information center for small businesses and work towards procurement guidelines for Kuwaiti Government contracts that emphasize a greater role for small and minority business.

SUMMARY OF SECTORAL ACTION PROGRAMS

The in-depth technical sector-specific analyses of the proposed emergency relief activities to be undertaken is provided in Volume 2 for the following sectors: (a) ports; (b) road and air transport sectors and logistics; (c) health; (d) food and nutrition; (e) water and sanitation; (f) housing, shelter and public buildings; (g) power; (h) telecommunications; and (i) oil and gas (which was prepared by the Kuwait Petroleum Company). These sectoral analyses include a brief assessment of the sector prior to the occupation and an overview of its weakened status, the strategic planning actions and contingency programs to be initiated now, so that emergency relief can start when the occupation ends, and actions to be set into motion at the end of the occupation. It should be noted that the following paragraphs provide an encapsulized summary of the common features inherent to each sector action program, as well as a summary of the key strategy and special institutional arrangements.

Common Features to Each Sector Action Plan

The common features to each sector action plan are summarized below:

(a) All materials, supplies, equipment, spare parts and other items will initially be shipped to, and stored at, a "safe port" in Saudi Arabia or a neighboring Gulf country having sufficient spare capacity;

(b) Indicative lists of materials, supplies, equipment, spares for emergency repairs, as well as of transport equipment have been specified for each sector and is provided in Volume 2. The Procurement Agent will need to:

(i) Scrutinize the Indicative Lists of goods in co-ordination with the Program Manager and on the basis of technical specifications and specific quantities, proceed with procurement;

(ii) Decide on the sources of supply, based on the compatibility of specifications and timing for deliveries;

(iii) Determine quantities which must be immediately purchased for stock piling at the "safe port", those with lead delivery times which must be ordered now and those to be delivered at a later date to ensure timely stock replenishment; and

(iv) Follow procurement guidelines and procedures outside the scope of the prevailing procurement regulating procedures, but in accordance with a new Emiri Decree or order establishing special procurement regulations to be followed in respect of the Emergency Relief Program (see Annex 4).

(c) The Program Manager will undertake the following tasks for every sector:

(i) Review Indicative Lists of materials, equipment, etc., draw up specifications and quantities, as well as schedule delivery times, taking into account the logistical aspects related to each sector;

(ii) Evaluate the most appropriate combination of road, air and sea transport into Kuwait from the "safe port" or abroad, as well as alternatives for purchasing or leasing such equipment including their operating and maintenance crews; and

(iii) Make immediate arrangements for the necessary managers, staff and field workers to be selected and contracted, so that they are ready to enter Kuwait when the order is given.

(d) Security clearance of personnel; individual access cards are to be arranged in accordance with the system under preparation by the Ministry of Interior.

(e) Emergency repair work for all public facilities would be initiated to the extent feasible. Cannibalization of equipment would be authorized and emergency equipment, spare parts and materials for that purpose will be brought in.

(f) Ensure clearance of hazardous structures and debris, as well as sufficient and timely supply of fuels and lubricants by KPC to meet the requirements of all sectors.

(g) As soon as feasible, damage assessments, based on the indicative damage assessment guidelines provided for each sector (see Volume 2), must be initiated. The results will provide critical inputs for the provisional physical plan for the subsequent Rehabilitation Phase.

The following paragraphs provide a summary of the key strategy and institutional arrangements for each sector. In-depth, sector-specific and technical details are elaborated on in Volume 2.

The Ports Sector

Given the significant damage expected to port facilities and the likely mining of the coastline, the following strategy is proposed:

(a) Establish a "safe port" outside Kuwait (Jubail, Dammam, Abu Dhabi, or Dubai) where all critical goods and materials relevant to the Emergency Relief Program can be stockpiled. From there, shipments will be made to Kuwait, initially by air and road and after adequate port facilities within Kuwait have been made available, then partly by sea. The selection of such a "safe port" should be expeditiously concluded by the Government of Kuwait (with the technical support of the Procurement Agent), and followed immediately thereafter with the arrangements for berthing allocations, bonded warehousing and customs procedures with the country concerned. A large portion of the materials, equipment, etc. for all sectors will have to be hauled initially from the "safe port" by an effective road transport relay, supplemented by air transport. In turn, this calls for final decision on the type and size of the transportation fleet to be secured and arrangements for customs clearance at the Saudi border; and

(b) Ensure that at least one sea access lane, even with limited capacity, is opened within Kuwait as soon as feasible. Heavy equipment for oil-field repairs, power and other utilities, as well as bulk fresh water for the population in Kuwait, will be most difficult to haul for a period of several weeks by road from a "safe port". Because of its wide deep draft channels, Shuaiba Port appears to be the most viable option for such a sea access. The Government should immediately arrange with the military forces to undertake de-mining of a 250 meter-wide access and contiguous sea lanes, as soon as Kuwait has been re-occupied. The shallow draft or narrow access of other ports, even if de-mined, would preclude other options.

Even to provide limited port operations at Shuaiba Port, minimal handling equipment will have to be procured in advance. Arrangements should be made now to secure tugboats, preferably with operation and maintenance crews. Damage assessment of all the major ports and piers must be initiated as early as possible after re-entry to Kuwait, so that they can gradually be rehabilitated and/or rebuilt during the rehabilitation phase, even before the coastline has been totally de-mined.

Road and Air Transport Sectors and Logistics

The proposed strategy for the road and air sectors and logistical aspects related to implementation of the Emergency Relief Program critically hinges on initially transporting the most critically needed manpower and goods into Kuwait via Saudi Arabia overland or by airlifts since this is the only feasible and dependable transport mode to Kuwait immediately following the end of the occupation. Air transport should be phased to complement the movement of goods and/or manpower by sea when port access in Kuwait becomes available. Air, road and port strategies for moving materials and manpower into Kuwait for emergency relief activities should be reviewed in parallel. First, it must be clear that between the time of the cease-fire and the establishment of a reliable land route from Saudi Arabia, all emergency medical, food and water supplies, minimal utility equipment and manpower stored at the "safe port" or coming directly from abroad, must be brought into Kuwait by air using emergency aircraft landing sites in Kuwait. It is crucial that within the first three weeks of re-occupation, the military forces clear and de-mine key highway sections as well as a major thruway from Saudi Arabia into Kuwait, as described in para.7. Arrangements to b.e completed by the armed forces during the first three weeks after re-entry have been described in paras. 5-7. Even when the highway network has been opened, overland delivery is likely to require a minimum of 7 to 10 days, depending on the goods, truck-loading and journey time from the selected "safe port". Until the armed forces are able to provide one reliable limited sea entry at Shuaiba Port, the overland air and road route will constitute the key lifeline into Kuwait.

A preliminary assessment of truck fleet requirements suggests an almost unattainable level of mobilization. The more likely solution is to assemble the largest manageable truck fleet to bring items to a reception area at the Kuwaiti border, and then transfer to a dedicated internal fleet for localized distribution in Kuwait. To further reduce transit time in the first few days after civilian entry is permitted, overland trucking relays should move from the "safe port" to this border reception area immediately after a cease fire is

declared. They should deposit their loads at the reception areas for pick-up by the dedicated internal fleet as soon as civilian entry into Kuwait is allowed. Thus, the entry time into Kuwait in the critical first days could be reduced to only 3 or 4 days. These arrangements should continue to be supplemented by the use of the available fleet of Kuwait Airways and Hercules aircraft secured from various governmental and commercial sources, and by sea transport when port access at Shuaiba is created. The entire road network will need speedy damage assessment. This input would also contribute to the subsequent rehabilitation and reconstruction phases.

The special organizational arrangements specific to this sector subsequent to those met by the military forces are: (a) rapid establishment by the Program Manager of an efficient, well-structured and highly specialized transportation logistics expertise operating under his purview. In coordination with the Procurement Agent, the Program Manager would determine, and then procure and lease the most viable combination of aircraft, overland trucks and sea transport equipment so that the transportation logistics function in a manner which contributes to the smooth and successful implementation of the relief activities in every sector; (b) ensuring fool-proof arrangements for the continuation of airlifts until overland and sea supply routes function satisfactorily; (c) early leasing by the Procurement Agent of a relay of deep-sea water tankers to carry bulk freshwater to the "safe port" for overland transport to Kuwait in the initial days, and when access to Shuaiba Port is cleared, the deep-sea tankers should be moved to the port; and (d) creation of an administration and a computerized control system to plan and monitor transport logistics for the entire relief operations. This is an important and critical responsibility of the Program Manager.

The Health Sector

It is likely that most hospitals, health care centers and medical store buildings may not suffer significant physical/structural damage. These health facilities should be quickly usable after minor repairs and the emergency installation of utilities, and major inputs of lost medical equipment, supplies and drugs. Urgent measures should be taken to reduce the possibility of mortalities, epidemics and disease to a population whose medical and health conditions are likely to require urgent attention.

A major assumption is that the military forces re-entering Kuwait, with the League of Red Cross and Red Crescent Societies (LRCRCS) and others, will take care of the casualties as well as the health needs during the first three weeks of their entry. LRCRCS, which has proven expertise to mobilize teams efficiently and effectively for emergency situations, have been in advanced negotiations with the Ministry of Health representatives of the Kuwait Emergency Task Force in Washington, D.C., to identify specialized services to be provided during the early stage of the emergency relief period. After civil entry is permitted, it is recommended that the LRCRCS enter with three fully-equipped surgical/medical teams, each capable of operating surgical (15 beds) and medical (30 beds) wards. It is also recommended that mobile surgical facilities be procured, complete with the medical/paramedical staff for running it. Arrangements for these options were reviewed by the Ministry of Health representatives of the Kuwait Emergency Task Force in Washington, D.C., including direct flights from abroad into Kuwait for equipment and personnel on Hercules planes capable of landing on make-shift airstrips.

About four district general hospitals located in regions serving the largest populated areas have been identified. These hospitals would be operated as 200-bed hospitals and also provide both primary and secondary medical care. If these buildings are seriously damaged, the facilities would be operated out of other hospitals, or even out of schools, hotels or tents.

Provision of emergency medical services is envisaged through only one emergency center, backed by 120 paramedics and necessary ambulances. The Central Medical Store, with medical supplies brought in from the "safe port," will be housed in its present location in Sabhan area, or as a second alternative, at the Sabah Medical or General Company Stores. A medical team for preventive medicine, including for immunization and examination of food and water supplies, is planned. The required furniture, medical equipment, pharmaceutical, medical supplies and personnel for the sector (about 2,000 skilled medical personnel are needed), should start to be mobilized and located nearby Kuwait so that they can be sent swiftly into Kuwait within the very first days of civilian entry. A limited, but effective, health/medical care should be feasible on the basis of this strategy.

The following are a list of special organizational arrangements which need to be undertaken:

(a) Reach agreement with the military forces to provide medical attention, including for biological and chemical warfare casualties, during the first three weeks of their entering Kuwait;

(b) Ensure the provision of medical teams, teams for surveillance of environmental health hazards and mobile equipment, through specialized emergency-oriented agencies such as the LRCRCS and others; and

(c) immediate recruitment by the Program Manager of over 2,000 medical and health related personnel, including 350 doctors, and 1,000 nurses, for entry to Kuwait in accordance with the recommended phased schedule of their arrival;

<u>The Food and Nutrition Sector</u>

While food and fuel stocks are likely to be depleted, recent reports suggest that the Cooperative Organization is still in operation, and hence should be in a position to undertake responsibility for receiving, storing and distributing the food rations and water during the emergency relief period. During the emergency relief period, it is recommended that food and water be distributed through the Cooperative Organization on a rationed basis and free of charge. The Cooperative Organization should also receive and store the food supplies. Should it not be operative as assumed, then these functions will be undertaken by the National Guard, but using the physical facilities of the Cooperative Organization.

The composition of basic food supplies comprise rice, lentils, wheat flour, edible oils, sugar, salt and tea. This would meet the full caloric intake recommended by the World Health Organization (WHO) and should be sufficient during the emergency relief phase. It should be noted that this basic list does not include large variety of items, nor does it provide sufficient vitamins possible from fresh fruits, vegetables and meats. These needs are likely to be

met only when private sector activities recommence towards the end of the relief period. Cooking fuel, some cooking utensils and plastic water receptacles, would also be provided through the Cooperative Organization or other temporary storage facilities.

It is recommended that the basic food supplies (equivalent to about 11,700 tons per month) for the relief period be purchased in advance and stored at the "safe port". When civilian entry is permitted, quantities sufficient for about 30 days should be transported to Kuwait by car and overland trucks from the "safe port". Alternatively, if feasible and necessary, some food stables could be airlifted into Kuwait.

Special attention should be given to the following sector specific tasks:

(a) Consultations should be initiated between Kuwaiti officials and the Procurement Agent with non-governmental organizations and United Nation agencies (such as the World Food Programme, the Food and Agriculture Organization and the UNHCR) having extensive knowledge of food markets, prices, potential sources of food donations and surpluses and overseas transportation, before basic food supplies are purchased on the open market;

(b) Arrangements by the Procurement Agent should be made to ensure that the food supplies are packaged in a manner conducive not only for easy transportation from the "safe port" to Kuwait, but also for distribution by the Cooperative Organization to inhabitants; and

(c) Once the Program Manager and his core team of staff are allowed by the armed forces to enter Kuwait, an assessment of the capabilities of the Cooperative Society should be undertaken with a view to ensure that basic food supplies (and water) can be stored and distributed on a rationed basis to the population.

The Water and Sanitation Sectors

Desalination and sewerage treatment plants are unlikely to be operable and contamination of water storage and groundwater facilities is probable. Provision of a minimal supply of potable water, and actions to minimize risks of epidemics by setting up an emergency sanitation system, are at the heart of the strategy. WHO recommends 20 liters per day per person and 150 liters per day per patient in hospitals, as the minimum water requirement in emergency situations. Allowing for evaporation, transport/storage and distribution losses, that means that 6 million imperial gallons, or about 24,000 cubic meters (m^3) of water per day, will be required. It is recommended that an initial stock of water (probably for about 15 days) be secured and stored in bulk in water tanker ships and in plastic bottles or bags at the "safe port". A part of this stock will have to be flown into Kuwait by Hercules planes when civilian entry is permitted. Haulage by planes and trucks of a heavy commodity like water is extremely difficult even for short periods. Hence, transport by a relay of large water-tanker ships, each capable of carrying 80,000 m^3, must be arranged as urgently as feasible. As soon as a deep-water channel is de-mined at Shuaiba Port, these ships can berth at deep sea and water can be pumped through buoy-supported hose pipes into 400 m^3 capacity portable and easily assembled tanks placed on the quays. From there, truck relays can distribute water inside the country.

If practicable, emergency surveys and repairs of water production and storage facilities should be immediately mobilized after civilian entry is allowed. Reverse osmosis (R/O) desalination mobile plants (containerized or on

trailers) would also be placed in operation as soon as feasible. The first ones will be connected to the four emergency relief hospitals. Bulk water from the ships or R/O plants will be transported in 20 m^3 capacity tanker truck shuttles to existing storage tanks which may be serviceable. Alternatively, it can be chlorinated in the assembled/flexible rubber tanks and placed at pre-determined points for distribution. Secondary distribution from the latter can be provided by pumping into a row of taps. Bottled and/or bagged water, which alone may be made available to inhabitants in the first critical days, would be given on a strictly rationed basis at the centers where food will be distributed by the Cooperative Organization.

Clogged sections of the sewerage mains should be evacuated by de-sludging trucks to discharge the sewage at the sewerage treatment plants. If these plants are inoperable as expected, then the trucks will dispose sewerage directly into the sea. Pit latrines, ventilated latrines and sanitation package units are envisaged for health facilities, work sites and main residential urban areas. Brackish water should be used for water-bound sanitation wherever possible. Equipment and spare parts should be ordered in advance. It is also recommended to commence the immediate mobilization of crews for emergency repairs and erection work, operating truck fleets, water sampling and analysis and damage assessment of all facilities in the sector.

The Housing, Shelter and Public Buildings Sectors

Unoccupied homes, stores, shops, offices, warehouses, hospitals, clinics, schools, are assumed to have been looted of furniture and belongings, with the possible exception of operating hotels. All structures and buildings are assumed to have suffered damage, though probably not extensive. Shelter in the form of permanent or temporary housing would need to be provided to: (a) all inhabitants in need of shelter for any reason; (b) personnel who enter the country to assist the Relief Program; (c) individuals who will be stopped at the frontiers and will await permission to enter but who will still have to be temporarily housed at the border; and (d) individuals who would be asked to exit the country.

The need to draft and put in force emergency legislation to legitimize the requisitionary actions of the military and those civilian personnel of the Emergency Relief Team is very apparent, and necessary. Authorized personnel who are cleared to enter Kuwait in connection with emergency relief operations must obtain the right of entry to public and private property if they are to perform their assignments as required.

The Power Sector

It is assumed that the power facilities are likely to be inoperable. The strategy for emergency relief rests on a primary relief phase, when up to 26 megawatts would be provided, and a secondary relief phase, when that could be reinforced up to 60 megawatts (MW): (a) The primary relief stage envisages containerized or skid-mounted diesel generating sets, connected at street corner load centers, to provide essential services. The pre-determined points of essential services include government administration and internal security, communications, hospitals, water, food and airport and port facilities; (b) the secondary relief stage would reinforce generating supply through higher capacity diesel units, paralleling diesel units or mobile gas turbines. This will permit connections with parts of the low voltage underground network once they have been identified, undergone emergency repairs and tested for safety.

It is also recommended to undertake an urgent assessment of gas turbines at Shuwaikh A Power Station (close to Kuwait City), and their repair for early service if practicable. The plan also envisages an ongoing assessment of the status of other generating and transmission and distribution facilities (once cleared of mines), with a view to making them operational with minimal repair, either by cannibalization of equipment or the use of emergency spares stockpiled at the "safe port." Options to purchase crucial items may be necessary to secure essential supplies and parts from manufacturers. It is also important that contingency plans and advance arrangements be make by KPC to ensure that diesel fuel and lubricants are available for power generation.

The Telecommunications Sector

It is assumed that the existing systems will be found inoperable when civilian entry for emergency relief is allowed. The strategy is to install self-sufficient "small-capacity" systems which are complete and that can provide limited domestic and some international connections for identified priority users. The systems would also permit capacity additions as well as interconnections with the limited existing systems, if they can be restored with specialized emergency repairs. The strategy therefore also envisages fast initial survey work to identify the retrievable portions of the local lines and inter-exchange networks, and of switching and transmission installations in various centers immediately after civilian entry is permitted. This will require engagement of specialized teams from telecommunications' contractors to do such surveys and minimal emergency repairs. Should this be feasible, then the proposed relief plan would be adjusted accordingly.

The strategy aims at providing the following: (a) By Day 3 after civilian entry is permitted, installation of 300 main radio/telephone lines with a 40 kilometer (km) range and 1000 extensions in Kuwait City, Al-Shuaiba and Al-Jahara; (b) an increase of these facilities in the country to 1300 main lines (500 by autonomous radio/telephone) and 4000 extensions with a 70 km range, by Day 10; (c) further multiplication by Day 30, to 3400 main lines (900 by autonomous radio/telephone) and 10,000 extensions, together with some TV/radio accessed and linkages abroad through some connections with the Intelsat and Arabsat satellites and linkage at Al-Nuwaisub to the co-axial cable to Saudi Arabia; and (d) By Day 90, provision of 10,000 main lines with 30,000 extensions, together with additional TV/radio transmission capability, which would further enhance Kuwait's domestic and international telecommunication access. Cellular options should also be considered. Such progressive expansion of emergency facilities would be accomplished through progressive additions to the facilities installed by Day 3, with transportable mainline switching units (MTSU) with microwave inter-connections; transportable satellite earth stations connected to Intelsat and Arabsat satellites; emergency distant subscriber lines operating through time-division multi-access (TDMA) and TDMA-repeater drop stations; small transportable switching units (STSUs); TDMA radio systems; and transportable trunk-international transit exchanges (TITEs) which tie all MTSUs and STSUs together. Those emergency systems will require sheltering with air conditioning, using independent power plants. Backed by limited subscriber terminal installations (including telephone sets, PABXs, facsimiles, etc.), the limited circuit and switching capacity proposed should be adequate during the emergency relief period.

It is recommended that the proposed systems be immediately reviewed by a top-class consulting firm familiar with Kuwait's present telecommunication facilities, before any equipment, spare parts for emergency repairs, etc. are procured. Assistance of a specialized telecommunications contractor familiar with Kuwait's system is recommended for emergency installation and emergency repairs. Damage assessment of all telecommunication facilities is critical to restore Kuwait's systems to the post-emergency stage. Skilled work forces would be required to undertake these activities.

Particular attention should be paid to the following activities: (a) immediate selection of a top-quality consulting firm familiar with Kuwait's telecommunication system. The firm would review the above-mentioned proposals so as to enable detailed specifications to be prepared by the Program Manager for emergency equipment required. After contacting the original suppliers and/or installers of the system (technical details are available with the Kuwaiti Emergency Task Force), lists of emergency repair equipment and supplies should be prepared and procured; and (b) arrangements by the Program Manager for 20 teams (with skilled foremen, technicians and workers), committed to move into Kuwait immediately after civilian entry is permitted, in order to undertake emergency installation repairs as well as rapid surveys emergency repairs to retrievable portions of the existing systems.

The Oil and Gas Sector

Chapter IX in Volume 2 has been solely prepared by the Kuwait Petroleum Company. KPC projects that oil and gas production and refining facilities are probably significantly damaged. Blown oil wells and oil wells on fire must therefore be anticipated. Crude oil gathering centers and oil-exporting piers are also likely to be damaged and exports immobilized due to transport impediments. KPC's strategy is to address the following top-priority issues in the emergency relief period: (a) oil-well fire fighting; (b) stabilize oil field production facilities; (c) ensure petroleum product supply within Kuwait to meet emergency relief needs; and (d) rehabilitate and repair oil export facilities. Companies and consultants required for these efforts are in the process of being contracted. Further works likely to be required to restore the oil and gas sector to its prior status will be carried out under the responsibility of KPC after a full assessment of damages.

For oil-well fire fighting, fire fighting contractors, supported by other service contractors, will: (a) control fires in the offender wells, install snubbing units, prepare relief well locations and cement casings, etc.; and (b) undertake directional drilling to intersect blown wells when surface capping is not feasible due to casing damage or underground blow-outs.

To stabilize oil field production facilities, temporary production facilities would be installed.

To ensure petroleum product supplies in Kuwait, about 137,000 tons of gasoline, diesel and kerosene, which are expected to be sufficient to meet the anticipated needs for 25 days, have been purchased and stored in four tankers stationed in safe areas in the Arabian Gulf. Similarly, contracts for liquid natural gas supplies have been signed. Arrangements are being made to purchase

additional quantities from Gulf refineries. Until a port access is ready, about 60 road-tankers will relay these products to Kuwait. Skid-mounted gasoline stations and gas-filling stations, to be located in strategic areas, would distribute the products locally.

82. To provide some crude oil export facilities as soon as a port access is de-mined at Shuaiba, it is envisaged that one contractor would construct an export loading facility with single buoy moorings.

83. To ensure that adequate fuel supplies are available for emergency relief operations and that oil and gas sector operations recommence as soon as feasible, the following actions have been or are being undertaken by KPC: (a) arrangements have been concluded to procure supplies for the local needs during the emergency relief period; (b) contractors for the various jobs mentioned in paras. 81-85 have been contacted and will soon be engaged; (c) permission from the Ministry of Interior is being sought to obtain security clearances to allow staff to enter Kuwait for undertaking emergency relief operations; and (d) other relevant steps have been initiated and/or completed, including plans to undertake sectoral damage assessments and providing all temporary installations with fire-fighting systems.

Note: The detailed action plan was adjusted depending upon availability of materials, negotiations with contractors, costs factors and coordination with Civil Affairs.

STATEMENT BY

MICHAEL W. OWEN

PRINCIPAL DEPUTY

ASSISTANT SECRETARY OF THE ARMY

(INSTALLATIONS, LOGISTICS, AND ENVIRONMENT)

BEFORE THE

SUBCOMMITTEE ON EXPORTS, TAX POLICY AND SPECIAL PROBLEMS

COMMITTEE ON SMALL BUSINESS

UNITED STATES HOUSE OF REPRESENTATIVES

FIRST SESSION, 102D CONGRESS

ON THE

THE ROLE OF THE U.S. SMALL BUSINESS IN REBUILDING KUWAIT

11 MARCH 1991

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Good morning, Mr. Chairman and members of the Committee. I am Michael W. Owen, Principal Deputy, Assistant Secretary of the Army (Installations, Logistics, and Environment). I have been designated as the Department of the Army witness for purposes of this hearing. I have a brief opening statement, after which I would be happy to answer any questions members of the Committee may have on this matter.

I am pleased to have the opportunity to address the Army's role at this time. Accordingly, I will provide a brief chronology. On 4 January 1991, the Kuwaitis formally requested emergency assistance from the Corps for the Ministries of Public Works, Electricity and Water, and the National Guard. The request covered only the emergency phase, estimated to be 90 days from the date of entry into Kuwait. On 9 January 1991, in response to the Kuwaiti request, the Defense Security Assistance Agency approved a foreign military sales (FMS) case for damage surveys and assessments of repairs, contracting for restoration planning, and repair and restoration of basic infrastructure. The Kuwaitis signed the $46.35 million FMS case ($45 million for assistance and $1.35 million for the U.S. administrative costs) on 14 January 1991. On 16 January 1991, the Corps, in coordination with the CINCENT, began detailed discussions with the Kuwaitis concerning details of the scope of work of the assistance.

On 24 January 1991, the Under Secretary of the Army assigned oversight responsibility for all Army actions associated with emergency and reconstruction assistance to Kuwait to the Assistant Secretary of the Army for Installations, Logistics and the Environment, in coordination with the Assistant Secretary of the Army for Civil Works and the Army General Counsel. Also on that date, the Director of the U.S. Trade and Development Program issued the Foreign Assistance Act, section 607(a) determination necessary for the provision of reimbursable services to Kuwait by the U.S. Government agencies. The Corps Kuwait Emergency Recovery Office (KERO) advance party deployed to Dhahran, Saudi Arabia on 30 January 1991, and the KERO commander deployed on 7 February 1991.

During 13-19 February 1991, the Corps published notices in the Commerce Business Daily (CBD) seeking expressions of interest from firms or joint ventures interested in prequalifying for construction, architect-engineer services, and life support services contracts for the emergency assistance to Kuwait.

On 19 February 1991, U.S. Ambassador Gnehm and Kuwait's Minister of State for Foreign Affairs concluded a Memorandum of Understanding concerning the reconstruction of infrastructure and restoration of basic services in Kuwait between the Government of the United States and the Government of the State of Kuwait.

On 21 February 1991, based on their assessment that the existing $46 million foreign military sales (FMS) case would be inadequate for the emergency period, and to avoid an interruption of activities from a lack of funds, the Kuwaitis requested additional assistance from the Corps of Engineers up to a total of $100 million, including the original FMS case. This request also expanded the ministries for which support would be provided to include the Ministry of Defense with the Ministries of Public Works, Electricity and Water, and the National Guard previously identified.

At the request of the Kuwaiti government, on 25 February 1991, the Corps of Engineers issued a request for proposals (RFP) from contractors for contracts for the emergency services. To date, the Corps has awarded nine contracts totalling $28.2 million to eight firms. Five of these contracts were awarded to U.S. firms, two were to Saudi Arabian firms, one was to a Kuwaiti firm and one was to a British firm. With your permission, Mr. Chairman, I will submit information for the record concerning these contracts.

With these contract actions and the Corps' operating expenses for damage assessments and contract administration, all of the $45 million currently available from the foreign military sales case, except for $2 million which is being reserved for contingencies,

has been committed. Approval of the additional Kuwaiti-funded assistance (approximately $53.6 million) is awaiting the interagency coordination, negotiation, and execution of a Department of Defense-Government of Kuwait memorandum of understanding.

Currently, the Corps has deployed 88 Corps employees to the region (10 to Dhahran, Saudi Arabia and 78 to Kuwait) to manage and execute the emergency recovery effort. We expect to deploy an additional 35 to 40 employees within the next week, and we have other personnel on stand-by if they are needed.

This summary of the U.S. and Army involvement in the rebuilding of Kuwait highlights the critical point concerning the purpose of this hearing. That is, the U.S. involvement, and more specifically the Corps of Engineers involvement, in the rebuilding of Kuwait is extremely limited at this time. Presently, the United States has only agreed that the Corps of Engineers will manage $45 million worth of such assistance, which may increase to $100 million, during the emergency recovery period, which is estimated to extend for 90 days. Consequently, the overwhelming majority of the effort to rebuild Kuwait has not been initiated, and the method the Government of Kuwait will use to implement the reconstruction effort has not been decided. Thus, the Government

of Kuwait will decide the level of foreign participation in the rebuilding of Kuwait, and which reconstruction projects will require foreign participation.

With respect to the opportunities for small businesses in the rebuilding of Kuwait, I offer the following comments. First, as I have indicated, most of the potential for U.S. business involvement, including small business involvement, will result from the long-term reconstruction effort beyond the 90-day emergency period. Presently, we do not know how this long-term effort will be implemented by the Government of Kuwait. The Department of the Army contracting program in support of the Restoration of Kuwait will aggressively pursue all U.S. small business requirements to the extent they are consistent with the Kuwait/U.S. agreements.

With respect to those contracts which have been awarded or may be awarded by the Corps, the Commerce Business Daily announcements which I mentioned earlier will be the way small businesses may learn about contracting or subcontracting opportunities for those contracts awarded by the Corps of Engineers under the Kuwait Emergency Recovery Program. Having said that, however, I must note that, of the eight firms to whom we have presently awarded contracts under this program, none are small businesses. The services for which we were advertising,

i.e., emergency recovery services, required immediate mobilization, to include staging of materials and equipment in Kuwait, for contracts of limited duration. In addition, because of the rapid conclusion of hostilities, the solicitation period was severely limited. The small businesses that responded to our notices did not meet the prequalification requirements. However, the Corps, through its Small Business and Public Affairs Offices, is assisting small businesses by providing information on the status of recovery activities and directing small businesses to the appropriate corps contracting offices. We are also developing a database of small businesses for the potential long-term reconstruction effort.

That concludes my prepared statement, Mr. Chairman. I would be pleased to answer any questions you may have with respect to my testimony.

TESTIMONY OF DR. THOMAS J. DUESTERBERG,
ASSISTANT SECRETARY FOR INTERNATIONAL ECONOMIC POLICY,
DEPARTMENT OF COMMERCE,
before the
HOUSE SMALL BUSINESS COMMITTEE
March 11, 1991

Mr. Chairman, thank you for this opportunity to appear before the Committee and report on how the Department of Commerce is planning to respond to the commercial opportunities presented by the rebuilding program in the Persian Gulf Region.

We appreciate the potential this reconstruction program has for American businesses of all sizes, kinds and levels of experience, and we intend to give aggressive assistance to U.S. firms interested in these opportunities. During the months of the Iraqi occupation of Kuwait and particularly during these recent weeks of war, we have been laying out detailed plans that we have now begun to implement. We are especially concerned with assuring that all segments of the U.S. business community -- particularly including small and medium-sized businesses -- have every opportunity to participate in the reconstruction effort.

Within the Department of Commerce, we have established the Gulf Reconstruction Center to serve as an information clearinghouse for businesses, which can call the Center for assistance and counselling. The Center is coordinating the various programs of the Department to take advantage of

rebuilding opportunities in much the same way as our Eastern European Business Center has helped focus the American private sector on commercial prospects in Eastern Europe.

In addition to the programs being coordinated within the Department, Secretary Mosbacher has activated the Trade Promotion Coordinating Committee, to harness all U.S. Government agencies' reconstruction efforts and to help direct them toward a uniform goal of trade promotion. This interagency committee comprises some 18 U.S. Government agency representatives and met three times last week -- twice at the sub-Cabinet level and once at the experts' level. Excellent lines of communication have been opened among all the agencies and the common purpose of maximizing American participation in reconstruction has been clearly adopted.

Estimates fix the cost of this reconstruction at between $50 billion and $100 billion. Ambassador Al-Sabah of Kuwait has stated that American firms will be favored in contracting for the rebuilding of Kuwait, a program that country has divided into a two-stage program. During the first 90 days, the focus will be on emergency relief and damage assessment. Basic needs such as food, water, medicine and utility restoration will will be highlighted. To support this effort,

the Kuwaitis have signed contracts worth over $500 million, of which some 70 percent have gone to American companies.

The second phase of the Kuwaiti plan will include detailed damage assessment and design work. The oil sector has been hard hit; its rehabilitation is being directed by the Kuwait Petroleum Corporation. The Bechtel Corporation has been selected as the program manager of the oil sector project.

The Government of Kuwait has contracted for emergency and reconstruction assistance from the United States. Under the terms of the agreement, the U.S. Army Corps of Engineers has been awarded a $46 million contract to oversee engineering work and damage assessment. At this time, the Corps is qualifying design and engineering firms for a wide variety of tasks. Contracts have also begun to be awarded. For example, the American Dredging Company has been awarded a contract for a harbor survey; Blount, Inc. and Brown and Root have won contracts for electrical and building repair.

There has been a great deal of interest in Kuwait among America's small business community. Our Gulf Reconstruction Center has had sixteen phone lines jammed with something like 5,000 callers a day since it opened one week ago. We are in

the process of installing additional equipment to handle the load.

This is a lot of activity for a country that is slightly smaller than New Jersey and has a population of about only two million. Because of its oil wealth, however, Kuwait had one of the world's highest per capita incomes prior to its occupation by Iraq last August. In 1989, the last year for which trade data is valid, its imports amounted to $6.5 billion. Our share of that market was approximately 15 percent, or $855 million.

The initial work in Kuwait will involve our largest firms because they can quickly mobilize the necessary resources. Our smaller contractors will find opportunities in subcontracting with major firms and in rebuilding or repairing residential and commercial facilities after the basic infrastructure is restored. We anticipate that a number of our firms will form joint ventures with local Kuwaiti contractors and tackle commercial/residential rebuilding.

Along with our major industrial exports of oilfield machinery, computers, communications gear, and electrical power generation equipment, we expect to see increased sales to

Kuwait of: air conditioning equipment, construction machinery, vehicles and furniture.

Reopening our commercial office at the U.S. Embassy in Kuwait City is one of the top priorities of the Department of Commerce. We think it is absolutely essential to have trained and effective commercial officers in-country to give every advantage to American firms, large and small. Though our embassy there has scarcely reopened, we have already identified the person who will become the embassy's senior commercial officer. As soon as Ambassador Gnehm gives us the green light, he will be sent into Kuwait, and we hope to get final approval sign from the State Department very shortly.

Also, we are preparing to send in a second commercial officer, again pending approval by the State Department. These two experienced professionals will form the nucleus of a strong commercial team that we will supplement with a group of foreign service nationals we have already begun to recruit. Backing up this team will be our commercial officers in the three Saudi Arabian cities of Riyadh, Dhahran and Jeddah. Each of these will be supplemented in the next few weeks with a temporary duty officer, as the logistics for sending them in are worked out. All these arrangements are going to be at the top of the

list of topics that Commerce Department officials will be be discussing later this week with Ambassador Gnehm.

As soon as our commercial office in Kuwait is restored, we will be able to transmit opportunities originating in Kuwait back to our constituent American firms. For those business organizations seeking sales and representation in the Kuwaiti market, we will be providing an initial link with the Kuwaiti business community.

These and other informational links will all flow through the Commerce Department's Gulf Reconstruction Center, an information gateway for American businesses interested in commercial opportunities in the Gulf Region. As we hear from businesses, we are recording their interests and capabilities on a database using the software that has proven successful in our Eastern European Business Center. We are also counselling these businesses with the information we presently have about the Gulf: the current commercial picture; contracting and subcontracting opportunities with Kuwaiti public and private sources, and with the Corps of Engineers; addresses and phone numbers they can use to pursue leads in these early days, and so on.

Later, as we learn about specific commercial opportunities, we will use this database in a pro-active way, to alert the businesses we have heard from to appropriate opportunities they can pursue. We have several ways to get the word out, starting with the numerous and invaluable contacts built up by the industry-specific Trade Development sectors of the International Trade Administration.

Two other ways to publicize opportunities have particular relevance to small and minority-owned businesses. The Small Business Administration has developed a superb database called "PASS", for Procurement Automated Source System. The Commerce Department is coordinating closely with SBA to connect our two small business databases, so trade opportunities can be brought directly to the attention of all the small businesses either agency has heard from.

A second important network we plan to link up with has been developed by the Commerce Department's Minority Business Development Agency. MBDA has an electronic connection to its more than 100 Minority Business Development Centers around the country, and we plan to flash them business opportunities as we learn of them.

Small firms do not have to begin their search with a trip, or even a phone call, to Washington. The district offices of the Commerce Department can provide all of our basic services in many companies' home cities. All that is necessary is for the firm to place a call. One of our trade specialists will pay a visit and get the process rolling.

We have very much in mind our responsibility to small and minority-owned businesses, and the design of this system was laid out with the infrequent exporter in mind, as well as a firm that, until now, may never have considered exporting. Hundreds and perhaps even thousands of such businesses are, in our opinion, going to be the backbone of this reconstruction effort, just as they are the backbone of this country's private sector, and our goal is for their participation in this effort to be as full, fair and complete as it can possibly be.

Again, let me thank the Committee for this opportunity to outline some of our thoughts and plans for this reconstruction effort. Our programs are, we hope, flexible and creative enough to evolve over the coming months as the rebuilding requirements continue to develop and change.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

Testimony Before the House Small Business Subcommittee On Exports, Tax Policy and Special Problems Hearing on U.S. Small Business Role in Kuwait Reconstruction

March 11, 1991

William S. Becker
Counselor to the Administrator
U.S. Small Business Administration

Mr. Chairman and Members, thank you for the opportunity to appear before you today. Accompanying me are three of the Small Business Administration's program directors with key roles in our efforts regarding Gulf reconstruction. They are Robert Moffitt, the Associate Administrator for Procurement Assistance; Antony Korenstein, Director of our Office of International Trade; and Allan Mandel, Deputy Associate Administrator

for Financial Assistance.

I will briefly summarize the steps being taken by the Small Business Administration to help small and medium-sized U.S. firms learn about and take advantage of business opportunities related to Gulf reconstruction.

I'd like to begin by describing SBA's involvement in the larger team of Federal agencies engaged in this effort. As you know, the Trade Promotion Coordinating Committee, chaired by Secretary Mosbacher, is taking the lead in the Administration's efforts to get information to U.S. businesses about Gulf reconstruction opportunities. The SBA is a member of the Trade Promotion Coordinating Committee. We are working actively with all of the other member agencies to share and exchange information so that each of us can provide the most complete possible information to the businesses who contact us.

In this regard, I would like to express Administrator Susan Engeleiter's

great appreciation for the role being played by Secretary Mosbacher and the Trade Promotion Coordinating Committee, not only in regard to Gulf reconstruction, but in regard to Federal export promotion activities in general. Although the TPCC is new, we are already seeing results in greatly improved coordination and cross-education occurring between the member agencies.

As you know, Mr. Chairman, the SBA has a variety of programs that can be useful to small and medium businesses contemplating work in the Gulf. The Agency administers two loan guarantee programs especially for exporting companies - the International Trade Loan Program, and the Export Revolving Line of Credit. We stand ready to utilize these programs in making sure that U.S. companies have the capital they need to bid on and perform Gulf reconstruction contracts.

SBA also administers the General Business Loan, or 7(a), Guarantee Program. Under this program, the SBA will guarantee up to $750,000 of a loan made by a private lender to a small business. This program can be

used to provide capital both to small companies planning to export goods or services to the Gulf region, or by small firms who become subcontractors for prime contractors doing work in the Gulf.

The SBA also operates a Surety Bond Guarantee program to ensure that small companies can receive bonding, when needed to subcontract with domestic U.S. companies or agencies.

In addition, the SBA has available an array of specialists who can counsel small companies and help them in their competition for, and execution of, Gulf-related contracts. Those specialists exist in the Agency's 100 field offices, in the more than 700 Small Business Development Centers located around the country, in the 13,000-member Service Corps of Retired Executives, and in our Small Business Institutes at college campuses nationwide.

This nationwide network includes specialists in business development, finance, procurement, international trade, and business management.

We are taking several steps, Mr. Chairman, to make sure that small business are aware of Gulf reconstruction activities and the resources of SBA and other Federal agencies.

Last week, our Office of International Trade issued a notice to SBA's regional and district directors, informing them of the appropriate addresses and information numbers for the Department of Commerce Gulf Reconstruction Center, the U.S. Army Corps of Engineers, and the Government of Kuwait.

On Friday, the directors of our finance, procurement assistance and international trade programs held a telephone conference with SBA's 10 regional administrators to alert them to the Gulf reconstruction program. Today, we are distributing information packets to all of SBA's field offices, including background information on Gulf reconstruction and the most current list of U.S. companies who have won contracts in the Gulf.

This information will allow our field offices to advise small businesses how they may obtain ongoing information from the Federal government, and which U.S. prime contractors they should contact for subcontracting opportunities.

Also on Friday, we placed a special Gulf-related message on SBA's toll-free Answer Desk. This message gives callers the number of the Gulf Reconstruction Center, and urges small businesses to enroll in SBA's Procurement Automated Source System, better known as PASS.

Each small business person who calls the SBA Answer Desk and leaves a name and address will be sent a package of information about Gulf reconstruction and SBA's programs. Each caller will also be mailed an application form for the PASS system.

If I may, Mr. Chairman, I'd like to describe PASS in greater detail. We believe this resource can be especially helpful in making sure that small American companies are considered for Gulf contracts and subcontracts.

PASS is a computerized data base that lists small businesses available for and interested in procurement opportunities. Some 200,000 small companies currently are listed in the system. Small businesses can enroll in the system at no charge.

For a small fee, government agencies or prime contractors can search this data base and pull out information about small businesses with the requisite skills to meet their needs.

PASS is customarily used to help small businesses obtain contracts from the U.S. Government or U.S. Government contractors, not from foreign governments. However, we are taking a number of steps to ensure that PASS is utilized to help small firms connect with Gulf opportunities.

First, we are revising the PASS application form so that applicants can indicate their specific interest in Gulf reconstruction opportunities. This new form was sent to the printers last week and will be available shortly.

Second, we are issuing a new marketing effort through small business trade associations, the media, our field structure and the SBA Answer Desk, urging small companies to enroll in PASS. We will be issuing a news release about PASS later today, to be distributed through trade associations and through our District and Regional Offices to local news media nationwide.

Third, we are instituting another marketing effort to make sure that Federal agencies and larger companies with a role in the Gulf know about, and utilize, the PASS system to identify potential small-business subcontractors. We have provided information about PASS to the U.S. Army Corps of Engineers and the member agencies of the Trade Promotion Coordinating Committee.

We are actively contacting companies that already have received Gulf reconstruction contracts to alert them that the PASS system can help identify small-business subcontractors.

And, we are asking our Commercial Marketing Representatives around the country to contact large companies who may be good candidates for Gulf contracts, to urge them to utilize PASS. In our experience, the earlier we contact a large firm, the more likely it will be to utilize the PASS system and to focus upon small businesses for subcontracting.

Our Office of Procurement Assistance is assigning personnel full-time to coordinate this effort, and we have offered to assign an SBA procurement specialist to help the Department of Commerce staff its Gulf Reconstruction Center. We also are exploring the possibility of establishing a computer linkup to the PASS system inside the Gulf Reconstruction Center.

I must stress, Mr. Chairman, that PASS will not guarantee contracts for the small firms listed in the system. PASS is merely an additional marketing tool for small businesses. I would urge small companies to enroll in PASS, then pretend that the system doesn't exist. Companies

should be aggressive, they should be persistent, and they should pursue every possible lead and bit of information. PASS may help small firms obtain Gulf contracts, but it cannot substitute for entrepreneurism.

Briefly, Mr. Chairman, those are some of the programs and newly focussed efforts we are utilizing to help small companies learn about and take advantage of commercial opportunities in the Gulf.

We have joined the Department of Commerce, the Corps of Engineers and several other agencies in briefing congressional staff about these capabilities over the last several days, and we have provided telephone numbers and more detailed information in fact sheets being sent today to each of your offices. We would be happy to answer your questions.

# # # #

TESTIMONY OF LAWRENCE H. FRAMME, III

VIRGINIA SECRETARY OF ECONOMIC DEVELOPMENT

TO THE HOUSE SMALL BUSINESS SUBCOMMITTEE ON EXPORTS, TAX POLICY AND SPECIAL PROBLEMS

MARCH 11, 1991

Mr. Chairman, members of the subcommittee, it is an honor to be asked to be here this morning to testify to the assistance that Virginia Governor L. Douglas Wilder and our Commonwealth is giving to our small businesses to help them play a significant part in the rebuilding of Kuwait.

I want to note first that the Commonwealth of Virginia and Governor Wilder are extremely proud of our troops' contributions to the liberation of Kuwait. They began returning to the Old Dominion on Friday, and we look forward to welcoming them all home as soon as possible.

We want our troops to come home to the welcome arms of their families and a grateful Commonwealth, but also to an economy that affords them, their families and all Virginians opportunities to enjoy good jobs now and in the future. To achieve this we must first work together to turn around a sluggish economy.

As you know, Mr. Chairman, we in Virginia, like most of our sister states, have had to face a significantly reduced rate of growth in state revenues. This has caused our revenues to fall short of projections. Governor Wilder reacted quickly and decisively to this shortfall. The Governor balanced our budget in a fiscally responsible manner and set the stage for future economic growth by refusing to increase the tax burden on our citizens. He held the line on taxes and created a $200 million reserve in our budget by cutting government spending. He understands that to stimulate economic growth in the long term, we must maintain a hospitable atmosphere for business with stable and favorable tax and fiscal policies.

In addition to creating a favorable business environment, our Commonwealth also has a significant role to play in helping our small businesses prosper -- not by handouts, but by helping them find opportunities for growth. In Virginia, we are doing that in many ways. One example is our statewide system of small business centers that provide technical assistance to our businesses in their localities. Another example is our community service representatives who call upon Virginia businesses daily to explore

with them opportunities for new markets and better and more efficient ways to conduct their business.

Most relevant to today's proceedings is the Governor's efforts to bring Virginia's small business into the global marketplace.

In recent months the Governor has more than doubled the number of businesses that we call on with offers of help and assistance for their international marketing efforts. Through our International Market Planning program our state agencies, in partnership with the graduate business programs of our colleges and universities, help our businesses prepare international marketing plans -- nearly 100 every year.

We have also created an educational arm of our international trade effort that insures that the importance of the international marketplace is understood by Virginia students as early as grade school and emphasized even more in their higher education.

These and other programs, which I do not have time to describe here, have provided Virginia with a solid foundation for building our position in the international market.

As you see, our emphasis has been on helping our small businesses find new opportunities and provide information to help exploit them. The rebuilding of Kuwait represents such an opportunity. In Virginia, we have the diversity of products and services and the quality of workforce to provide virtually any product or service needed in the rebuilding effort. As the home of major international business firms, the largest naval base in the free world, and the finest, fastest growing and most efficient port on the east coast, the Port of Hampton Roads, Virginia has the strength and flexibility to be immediately responsive to the needs of Kuwait.

To enhance our ability to respond quickly to this opportunity, Governor Wilder established in Virginia the Kuwait Redevelopment Assistance Group (KRAG). This group, a coordinated effort between the Virginia Department of Economic Development, the Virginia Port Authority, the Virginia Department of Agriculture and Consumer Services, our congressional delegation, and our private business sector, has already begun to compile and distribute to Virginia businesses, especially our small businesses, the information necessary to put them in contact with key contracting officers, to assess the immediate and long term needs of Kuwait and to help match our businesses with those needs.

Building on an already extensive database of Virginia businesses and their capabilities, we have begun to contact over 2000 Virginia businesses to supply this much needed information. Of course, government cannot act as a broker of private contracts, but the Governor has worked quickly to provide a comprehensive and

accurate information resource to which small business can turn.

I am pleased to say that Virginia businesses have already taken a leading role. Last week our senior senator, Senator Warner, noted that approximately 30% of the emergency contracts awarded to American firms in connection with the Kuwait rebuilding effort have been awarded to Virginia-based businesses. The type of services already contracted for in Virginia vary from computer system design to office supplies and military uniforms.

Yet, while Virginia has moved quickly to put Virginia small business in a premier position to help, we must guard against unrealistic expectations and the failure to exercise sound business judgement in entering into this market. Our match-making does not guarantee a profitable transaction. Governor Wilder's efforts are introducing Virginia businesses to customers in Kuwait, but it is up to business, not government, to evaluate the ability to serve the customers' needs, to assess the capabilities to serve them profitably, and to evaluate objectively the merits of the transaction.

The opportunities in Kuwait are opportunities to expand the role of small business in the international market. And while we strongly encourage this expansion, we also must caution firms to thoroughly and objectively evaluate the risks, as well as the benefits, and to understand applicable laws, customs, and all of the other relevant aspects of a transaction before committing substantial assets to it.

Our economic development agencies in Virginia, especially the trade division of the Virginia Department of Economic Development and the Virginia Port Authority, are anxious to help our businesses with the information necessary to conduct these evaluations and even to help them learn how to do them properly. But the international marketplace is not without risk, and in the final analysis, the evaluation of that risk, like the evaluation of the benefits, must be realistically undertaken.

Mr. Chairman, I applaud the work that you are doing here today and the speed with which you have reacted for the benefit of small business. I want to again express my appreciation for the opportunity to participate and to hear the outstanding witnesses that are testifying before you. I know from personal experience the efforts that you have made over the years on behalf of our small businesses, and those in Virginia and the nation have benefited considerably from your work. Governor Wilder and the Commonwealth look forward to the continued close cooperation and support that has been a hallmark of your service.

Thank you.

3

STATEMENT OF HOWARD L. HILLS
VICE PRESIDENT AND GENERAL COUNSEL
OVERSEAS PRIVATE INVESTMENT CORPORATION

BEFORE THE
SUBCOMMITTEE ON EXPORTS, TAX POLICY, AND SPECIAL PROBLEMS
COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES

March 11, 1991

Mr. Chairman and Distinguished Members of the Subcommittee:

I am honored to appear before this subcommittee today on behalf of Fred M. Zeder, President and Chief Executive Officer of the Overseas Private Investment Corporation (OPIC). It is a pleasure to apprise the Subcommittee of OPIC's role in the economic revitalization of the war-torn Arabian Gulf region. This task evokes memories of the period following World War II, when the political risk programs which later became OPIC first assisted U.S. investors. Now, as then, American business, with appropriate support from the U.S. government agencies, will have an opportunity to help rebuild the economic infrastructure within what only recently was a combat area.

OPIC is up to the challenge. We have already announced that we are accepting applications for loans, loan guaranties, project finance, political risk investment insurance, and contractors and exporter insurance for new investment projects in the region.

I would now like to describe what OPIC can do to assist the U.S. small business person in their efforts to participate in the reconstruction of Kuwait.

First, to assist U.S. businesses performing Kuwait reconstruction contracts, OPIC's Contractors and Exporters Insurance program is available and is designed to insure against wrongful calling of bid bonds, performance and advance payment guaranties posted by U.S. contractors. Insurance offered under this program can protect a wide range of U.S. companies in such service industries as engineering, drilling, hotel and hospital management, construction, computer and telecommunications services.

Another useful OPIC program, is our Small Contractors' Guaranty Program, designed to assist U.S. contractors in posting standby letters of credit through U.S. financial institutions. OPIC will guarantee up to 75% of such standby letters of credit.

These programs are tailored to the current reconstruction contracting process and should be helpful to U.S. companies seeking a role as contractors or subcontractors at this time. If those companies, or others not involved in reconstruction, develop long-term investment strategies for Kuwait or elsewhere in the region where OPIC operates, our traditional political risk insurance and financing programs will be available.

Our political risk investment insurance can insure U.S. investments overseas against the risks of political violence; expropriation; inconvertibility of local currency; and/or business interruption. A special package of such insurance coverage is available exclusively for small business. OPIC's finance programs offer direct loans for smaller projects and these loans generally range from $500,000 to $6 million. We also offer loan guarantees, and these loans range from $2 million to $25 million, but can be as large as $50 million.

OPIC also is prepared to assist in other ways. During the reconstruction phase, OPIC is prepared to participate in one or more government-business missions to Kuwait in cooperation with the U.S. Department of Commerce and other organizations. Such missions are designed to inform the Government of Kuwait of the U.S. public and private sector programs available to assist in reconstruction and to encourage investment policy reform.

OPIC's own missions program has a long record of success in the CBI region, Africa, Latin America, Eastern Europe, and the Pacific Rim. We intend to bring that expertise to any Kuwait mission which may take place. In all of these programs, we are working closely with the U.S. Department of Commerce and the Small Business Administration to ensure that small- and medium-sized companies become aware of investment and other business opportunities in the region.

Another program that we are very excited about and which we are currently planning, is a "How to do Business in Kuwait" seminar, which we intend to conduct in Washington. This seminar will bring the American businessperson together with the U.S. Government and will lay out the procedure on how to capitalize on this new business opportunity.

I would like to close my formal remarks by stating that OPIC is open for business in Kuwait, and is ready to serve the American small business executive. The liberation of Kuwait has been just and right, and it is just and right for Americans to help rebuild this war-torn country.

Thank you, Mr. Chairman, I will be pleased to respond to your questions.

1615 M Street, N.W.
Washington, D.C. 20527
(202) 457-7200
FAX (202) 331-4234

OPIC PROGRAMS FOR U.S. COMPANIES PARTICIPATING IN THE RECONSTRUCTION OF KUWAIT

INVESTOR SERVICES

The Overseas Private Investment Corporation is preparing a number of programs designed to inform the U.S. private sector of the contracting and investment opportunities in Kuwait.

- Kuwait Seminar This will be a one day seminar in Washington with briefings from the government of Kuwait, OPIC, and other U.S. government agencies engaged in the reconstruction process. The purpose of the seminar will be to inform participants of the efforts underway, the opportunities available, and the procedures for getting involved in the Kuwaiti reconstruction process.

- Contractors Mission Preliminary preparations are already underway to lead a mission of U.S. contractors to Kuwait after the termination of hostilities. This mission, to be organized in cooperation with the U.S. Department of Commerce and the Government of Kuwait, will allow U.S. companies to investigate specific investment and contracting opportunities first hand, as well as provide them with direct access to the public and private sector purchasing agents in Kuwait.

To be placed on the mailing list for these programs please write:

John Hereford
Investment Development Associate
OPIC
1615 M Street, N.W.
Washington, D.C. 20527

FINANCE

Because of Kuwait's high per capita income status, OPIC's finance program for large projects operates on a case by case basis, subject to OPIC Board approval. OPIC also offers a finance program to assist small business contractors in Kuwait. Small businesses are deemed to be industrial firms having general sales of less than $142 million and nonindustrial firms having a net worth of less than $48 million.

- This program is designed to assist small contractors who have difficulty getting a financial institution to issue standby letters of credit or other instruments used as performance and advance payment guaranties for projects in Kuwait.

- OPIC will guarantee an eligible bank or other financial institution against all risks for up to 75% of the letter of credit issued on behalf of the contractor in favor of the project owner.

CONTRACTORS INSURANCE

Efforts to rebuild the Kuwaiti economy are well under way. As part of the U.S. Government's effort to assist in this process, OPIC offers political risk insurance coverage to American contractors in Kuwait.

OPIC's Contractors and Exporters insurance program can help minimize the risks associated with doing contractor's business in the Gulf region.

- OPIC can insure against wrongful calling of bid, performance or advance payment guaranties, customs bonds, and other guaranties, usually issued in the form of bank standby letters of credit. OPIC also provides suppliers of goods and services with political risk protection against loss of bank accounts and or damage to physical assets due to politically motivated violence, as well as protection against unresolved contractual disputes with a foreign buyer.

- Insurance offered under this program can protect a wide range of U.S. companies in such service industries as engineering, drilling, hotel and hospital management, construction, and telecommunications.

If you have questions regarding these or any other OPIC programs, please write or phone:

Information Officer
OPIC
1615 M Street, N.W.
Washington, D.C 20527
Tel: (202) 457-7087

AWARDS BY THE U.S.ARMY CORPS OF ENGINEERS
FOR THE RESTORATION OF INFRASTRUCTURE
STATE OF KUWAIT

08 MAR 1991

Date of Award	Description	Contractor	Country	Amount (Millions)
31JAN91	Acquisition of Airport Equipment	Raytheon Service Company P.O. Box 503 2 Wayside Road Burlington, MA 01803 POC: Mr. Duggan, 617/272-9300 x2491	US	$5.7
3MAR91	Emergency Electrical Repairs in Kuwait	Blount International 4520 Executive Park Drive Montgomery, AL 36116 POC: Mr. Rod Caesar, 205/244-5472	US	$3.0
3MAR91	Temporary Repairs to Public Buildings	Blount International 4520 Executive Park Drive Montgomery, AL 36116	US	$3.0
3MAR91	Expedient Survey of Shu'Aibh Port State of Kuwait	American Dredging Company Beach & Erie Streets P.O. Box 190 Camden, NJ 08101 POC: Mr. Don Roeder 609/963-0963	US	$0.4
3MAR91	Repair of Roads and Airport Runways	Al Harbi Trading and Contracting Company, Ltd. P.O. Box 5750 Riyadh, Saudi Arabia 11432	Saudi Arabia	$4.5
3MAR91	Temporary Repairs to Public Buildings	Brown & Root International P.O. Box 3 Houston, TX 77001-0003 POC: Mr. W. R. Golson 713/676-3236	US	$3.0
4MAR91	Temporary Repairs to Public Buildings	Mohamed A. Kharafi P.O. Box 6501 Abu Dhabi, UAE	Kuwait	$5.0
4MAR91	Repairs to Sanitary and Water Systems	Shand Construction, Limited Shand House - Matlock Derbyshire, England DE4 3AF	UK	$2.6
	Repairs to Key Government Offices	Khudair Group	Saudi Arabia	$1.0
TOTAL:				$28.2

Source: U.S. Army Corps of Engineers
Reproduced by the Library of Congress, Congressional Research Service

AVIATION DAILY Page 504 March 18, 1991

Firms Sign Contracts With Kuwait, May Need Air Service

Reconstruction of Kuwait already has involved a number of U.S. companies, which have new contracts with the emirate's government to perform a variety of construction and service functions. Army's 352nd Civil Affairs Command in Saudi Arabia has compiled the following list of companies with contracts, saying these firms are likely to have air travel and air cargo needs. Although Kuwait Airport is once again operational, the command says that so far only Kuwait Airways is flying into the country. The following list obtained by The DAILY provides the names of the companies only, no locations in the U.S. or the business they have contracted to perform for Kuwait. The military advises that the transportation managers of the companies listed would be the appropriate sources for more information.

Companies Holding Contracts With Kuwait

1	Motorola, Inc.	34	Prop Arms	67	International Security Services
2	IBM	35	Sherwood International Export	68	Cougar Holdings, Inc.
3	ICMX	36	SORS International	69	Amida
4	Martin Marietta	37	International Mobile Machines	70	Siemens AG
5	James Martin Associates	38	Ericsson GE Mobile Commo.	71	Burke Industries
6	Mobile Telesystems	39	Transac International Ltd.	72	The Supply Cabinet
7	Corps of Engineers	40	Federal Laboratories	73	Keel Marine Ltd.
8	Henley Board, Inc.	41	AAE Systems, Inc.	74	Al-Hashar & Company
9	The World Bank	42	Guardian Technologies	75	Communication, Inc.
10	AAB International	43	Simon Ladder Towers	76	Zubair Automotive
11	Colt	44	Angus Fire	77	Hungarian Busexport
12	Prime Tech, Inc.	45	Horizon Trading Co.	78	Water Witch III
13	Beckman	46	Chimeda	79	CSX/Sea-Land
14	Bard	47	Gambro	80	GTS Enterprises, Inc.
15	NACO	48	Molnlycke	81	La France Equipment Corp.
16	Ethicon	49	Computer Sciences Corp.	82	Med-Eng Systems Inc.
17	GE Technical Services	50	Aeromaritime, Inc.	83	Internation Security Services
18	AMSCO International	51	Tryco Incorporated	84	Meltron
19	AI International	52	Def-Tec Corporation	85	Racal-Tacticom
20	NavCom	53	American Body Armor	86	IPAC
21	GEC-Marconi	54	Tradetech	87	United States Testing Co.
22	Caterpillar, Inc.	55	S.H.A.D.	88	Ford
	Medko	56	Morfax	89	Water Witch IV
	Commonwealth Labs	57	Societe des Materiels	90	Kuston
25	3M Company	58	Lynch Display Vans	91	Avon Industrial Polymers Ltd.
26	Valdex	59	Stryker Corporation	92	Technos International
27	Sherwood Medical	60	Global Container Lines	93	Navistar International
28	Sepro Healthcare	61	Code 3 Public Safety	94	Transportation Corp.
29	S&W Medico	62	Mackay Communications	95	OMI
30	Valmet	63	Some's Uniforms Internat.	96	AT&T
31	Telemobile, Inc.	64	Hydrotechnik	97	Mitel
32	Water Witch	65	Grove North America		
33	Contractors of America	66	International HydroCut Technologies		

Source: U.S. Army's 352nd Civil Affairs Command

DHL Adds Bid For New Montreal Cargo Service To Federal Express'

DHL Airways has requested an exemption to provide nonstop all-cargo service between Cincinnati and Montreal, effective immediately. Under the agreement recently reached between the U.S. and Canada, one carrier from each country may operate a new route between the U.S. and Montreal Mirabel Airport. Federal Express earlier filed for Memphis-Montreal Mirabel service. DHL said choosing Federal Express would give it a dominant position, giving it an advantage that no other cargo carriers can match.

DHL does not have certificate authority in its own name for all-cargo service between the U.S. and Canada but uses its own air taxi operations or charters with U.S. and Canadian operators to transport packages. As its business expands, DHL said it plans to obtain the authority to provide DHL WorldWide Express service into Canada from its Cincinnati sorting center and from Montreal to Cincinnati. DHL has proposed offering flights five days a week. (Dockets 47403 & 47452)

Council of the International Civil Aviation Organization has appointed Philippe Rochat of Switzerland to a three-year term as its new secretary general, beginning Aug. 1. He will succeed S.S. Sidhu of India, in office since 1988. Rochat currently is director of marketing of Geneva Airport.

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	HOUSE	APPROPRIATIONS COMMITTEE		HOUSE	ARMED SERVICES COMMITTEE	X	HOUSE	OTHER	Subcommittee on Exports, Tax Policy, and Special Problems
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HEARING DATE		TRANSCRIPT PAGE NO.	LINE NO.		INSERT NO.				Role of U.S. Small Business Rebuilding Kuwait
11 Mar 91		54	1239		a				

Mr. Ray of Georgia. Once again, could you put into the record the procedure for someone contacting the Corps or whoever that is interested?

Mr. Owen. Any company interested in doing emergency construction support in Kuwait can call the Corps of Engineers Contract Office at: 703-665-3683 or 703-665-3679. All other types of work should contact the Department of Commerce at: 202-377-5737 or 202-377-5545. Anyone interested in individual jobs can call the Department of Labor at 1-800-927-5690.

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11 Mar 91		Last page	Last line		1				

Mr. Sisisky. What is the total value of this initial contract - $45 or $48 million?

Mr. Owen. The Corps of Engineers support to Kuwait Ministries of Public Works, Electricity and Water, and National Guard is provided under a Foreign Military Sales case totalling $46,350,000. The Corps of Engineers is managing $45,000,000 of this and $1,350,000 is an administrative surcharge which goes to the Defense Security Assistance Agency.

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Mr. Sisisky. Has all of this amount already been awarded? If not, how much remains to be awarded? Is it true that an additional $55 million will be awarded under the Foreign Assistance Act?

Mr. Owen. All has been committed except $1,500,000 for a potential life support contract and a contingency of $1,600,000. The Corps' Kuwaiti Minstry sponsor has offered additional funds of $53,650,000 for a total of $100 million, to prevent interruption of our contract support during the 90-day emergency recovery period. An instrument under the Foreign Assistance Act is being processed to allow acceptance of this additional money. We intend to use it to modify current contracts that have insufficient funds to complete emergency restoration missions.

INSERT FOR THE RECORD

	HOUSE / SENATE	APPROPRIATIONS COMMITTEE		HOUSE / SENATE	ARMED SERVICES COMMITTEE	X	HOUSE / SENATE	OTHER: Subcommittee on Exports, Tax Policy, and Special Problems
HEARING DATE		TRANSCRIPT PAGE NO.	LINE NO.		INSERT NO.			
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Mr. Sisisky. Are you able to provide any information about the firms that have been awarded contracts by the Corps?

Mr. Owen. Yes.

Mr. Sisisky. In particular, who are the prime contractors who may be offering subcontracts to smaller businesses?

Mr. Owen. The eight prime contractors are as follows: Raytheon Service Company, 2 Wayside Road, Burlington, MA 01803, which was awarded a contract in the acquisition of airport equipment; Blount International, 4520 Executive Park Drive, Montgomery, AL 36116, which was awarded two contracts, one of which was for Emergency electrical repairs and the other for temporary repairs to public buildings; American Dredging Company, Beach & Erie Streets, Post Office Box 190, Camden, NJ 08101, which was awarded a contract to expedite a survey of Shu'Aibh Port in Kuwait; Al Harbi Trading and Contracting Company, Limited, Post Office Box 5750, Riyadh, Saudi Arabia 11432, which was awarded a contract to repair roads and airport runways; Brown and Root International, Post Office Box 3, Houston, TX 77001-0003, which was awarded a contract for temporary repairs to public buildings; Mohamed A. Kharafi, Post Office Box 650, Abu Dhabi, United Arab Emirates, which was awarded a contract for temporary repairs to public buildings; Shand Construction, Limited, Shand House - Matlock, Derbyshire, England, DE4 3AF, which was awarded a contract to make repairs to sanitary and water systems; and Khudair Group, Post Office Box 302, Al Khodar, Saudi Arabia 31952, which was awarded a contract to expedite repairs to the Emir's offices.

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Mr. Sisisky. Has the government of Kuwait played any role in the selection of these contracts?

Mr. Owen. The contracts awarded to Raytheon Service Company was a sole source contract at the direction of the Kuwait government. On the remaining contracts, two Kuwait government representatives participated in the Prequalification and Selection Boards.

Mr. Sisisky. Please explain the Corps' selection procedures.

Mr. Owen. In mid-February the government of Kuwait directed the Corps to expedite the award of contracts for the emergency phase of the restoration program. On 18 February, the Corps, using information previously obtained from responding firms, sent letters to more than 100 major international construction firms, asking for expressions of interest to be returned by 20 February. The Corps reviewed 86 construction contractor submittals from several nations (mostly coalition partners) and determined 36 firms to be highly qualified. The proposals were evaluated and nine contracts awarded to eight firms. At this time the Corps does not plan to make further awards unless the government of Kuwait provides additional funds.

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Mr. Sisisky. Do small business set-aside laws apply to these contract awards? If not, why not?

Mr. Owen. While the Corps followed the FAR and DFARS in executing these contracts, small business set-aside procedures are not currently authorized for architech-engineer or construction (except dredging) by Public Law 100-656. FAR 19.000(b) also states that the small business rules are only applicable within the United States, and certain other territories and possessions.

The Corps fully supports the participation of small business and disadvantaged business in its procurement actions, and will do its utmost in subsequent procurements to ensure that they can compete for these contracts on an equal footing with other firms, in accordance with applicable statutes and regulations.

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Mr. Sisisky. Do the Brooks Act and related regulations apply to these contract awards. If not, why not?

Mr. Owen. The Brooks Act does apply to the award of architech-engineer contracts by the Corps. Although the FAR strictly applies to contracts using only appropriated funds, DOD policy is to apply the FAR and DFARS to these contract awards, to the extent that it is not inconsistent with the U.S. Government/government of Kuwait agreements.

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Mr. Sisisky. Is it true that the Government of Kuwait has requested that the Corps act as its agent to provide precertification services and furnish lists of precertified contractors?

Mr. Owen. The government of Kuwait has not requested the Corps to act as its agent in precertifying all contractors. The Corps is using its prequalification procedures for contracts the Corps will award and, if requested, will use the same procedures for contracts the Kuwait government will award in support of Corps' operations.

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Mr. Sisisky. If so, is this function provided for in the initial 90-day contract with Kuwait?

Mr. Owen. Yes. Thirty-six firms were found to be highly qualified.

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Mr. Sisisky. If the Corps' role as precertification agent is not contractual, how long will the Corps provide these services?

Mr. Owen. These procedures will be used only for the period the Corps has a formal mission in Kuwait.

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Mr. Sisisky. Does the purported March 15 deadline for submission of application requests by potential contractors apply to USACE contracts, or to Kuwaiti contracts for which the Corps is providing precertification lists?

Mr. Owen. The closure dates for Commerce Business Daily (CBD) announcements for expressions of interest are as follows:

Suppliers - 15 March 1991

Construction Contractors - 15 March 1991

Architect/Engineer Services - 21 March 1991

Information submitted may be used for future USACE contracts and will made available to our Kuwaiti Ministry sponsors for their contracting use.

Mr. Sisisky. Does the deadline apply for submission of letters requesting certification forms, or for the actual submission of completed forms?

Mr. Owen. The expressions of interest with the completed forms as specified in the individual announcements must be postmarked not later than the aforementioned dates. Submittals are to be sent to the Corps of Engineers, Transatlantic Division. Additional CBD announcements for specific projects may be issued at a later date.

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Mr. Sisisky. The Corps is reportedly using standard precertification forms. These forms apparently contain questions (e.g. those concerning small-business set-asides) that would not seem to apply to this situation. Is this intentional? Please explain.

Mr. Owen. The Corps is using Standard Form 129, Solicitation Mailing List Application and Standard Form 254, Architect-Engineer and Related Services Questionnaire, to gather information on vendors and design firms. These forms request firms indicate their small business status. These forms are being used because most firms are familiar with them and can complete the forms with few questions.

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Mr. Sisisky. Is the Corps placing numerical limits on the number of firms to be precertified in the various procurement categories, or will these lists be limited only by relevant criteria (e.g., performance capability and financial responsibility)?

Mr. Owen. There are no numerical limits placed on prequalified firm lists. The placement on the list is solely dependent on meeting the prequalificaiton criteria for the particular project.

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Mr. Sisisky. In general, to what extent, if at all, do U.S. procurement laws apply to the Corps' activities as agent for Kuwait?

Mr. Owen. The Corps will follow the FAR, DFARS and other applicable statutes in executing contracts pursuant to an Foreign Military Sale case. To the greatest extent possible, the Corps will afford contracting opportunities to small businesses, small disadvantaged businesses and others interested in competing for contracts. The Corps, and any other DOD contracting activities supporting Kuwaiti reconstruction, will fully comply with the Competition in Contracting Act.

The Letters of Exchange drafted between the U.S. and Kuwait allows assistance to be provided under Section 607 of the Foreign Assistance Act, which specifies that: "1. If contracting is performed by DOD pursuant to work agreements under this letter, such contracts will be let by DOD in compliance with U.S. law and in accordance with the U.S. Federal Acquisition Regulation and relevant supplements thereto. Unless GOK (Government of Kuwait) requests otherwise, preference will be given, to the maximum extent practicable, to U.S. firms in the award of contract under this letter." (Emphasis added)

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Mr. Sisisky. Is the Corps negotiating a contract with Kuwait for the period after the 90-day emergency phase? If so, can you provide any information about the role of the Corps in the future?

Mr. Owen. No negotiations for follow-up work after the 90-day emergency phase are underway. It would be speculative to discuss any future role, which would depend on the government of Kuwait intentions (unstated) and the willingness of the U.S. Government for further Corps involvement.

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Mr. Sisisky. Will the precertification be opened again (after the March 15 deadline) if the contract is extended?

Mr. Owen. Presently the Corps has no futher commitment beyond the 90-day emergency phase. However, the Corps intends to move rapidly to the normal procedures of advertising individual Corps procurements in the CBD.

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Mr. Sisisky. With respect to Architect-Engineer contracts, would the Corps comply with the Brooks Act in selecting contractors?

Mr. Owen. Yes, if the Architect-Engineer contract were awarded by the Corps. As stated in the answer to question 6, the Brooks Act applies to Corps of Engineers awarded contracts. The Corps would apply the Brooks Act by using the procedures of FAR, Subpart 36.6, to select its Architect-Engineer contractors.

Mr. Sisisky. Would it utilize any special procedures different than those normally utilized?

Mr. Owen. No, normal FAR procedures would be utilized.

Mr. Sisisky. Would there be any input from Kuwait in the selection process?

Mr. Owen. Kuwait would be invited to participate in the evaluation and selection process. It is unknown as to whether the Kuwaitis desire to participate.

Mr. Sisisky. Would there be any limitation on the amounts that can be paid for Architect-Engineer services (e.g., a percentage of project costs)?

Mr. Owen. There is a statutory limitation of 6% of the estimated project cost for Architect-Engineer services contracted by the Department of the Army. However, the limitation only applies to "public works or utilities of the Department" as the Kuwait work is neither public work or a utility of the Department of the Army, the limitation is inapplicable.

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Mr. Sisisky. With respect to construction contracts, what procedures will the Corps follow in prequalifying firms?

Mr. Owen. The Corps follows a standard procedure in prequalifying firms and awarding contracts. In general terms the procedure is: A list of minimum requirements for particular project is developed; the information furnished by all responding firms is evaluated against these requirements; a Prequalification Board determines whether individual firms meets the project requirements; those determined to meet requirements are invited to submit proposals; the submitted proposals are evaluated by a Selection Board and a sucessful firm awarded the contract.

Mr. Sisisky. Will the Kuwaiti government have any input in the prequalification process?

Mr. Owen. The Kuwait government may participate in the Prequalification and Selection Boards.

Mr. Sisisky. Will the contracts be awarded on the basis of sealed bids, sole source, or competitive negotiation?

Mr. Owen. The Corps prefers to use full and open competition; however, expedited contracting procedures, to include use of letter contracts, may be used to ensure contracting actions are completed in the time necessary to meet the demands of the current emergency and preclude unnecessary loss of life and property to the people of Kuwait. These procedures may result in something less than the standard requirements for full and open competition. Where appropriate, selections will be made on a competitive basis from a technical evalution of responses to Corps's solicitations. Sole source contract awards may be directed by the Kuwait government in some cases.

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Mr. Sisisky. With respect to both Architect-Engineer and construction contracts, would the Corps develop procedures to assure the equitable distribution of contracts among qualified firms?

Mr. Owen. In regard to Architect-Engineer contracts, the Corps will maintain the objective of affecting an equitable distribution among qualified firms. In regard to construction contracts, all pre-qualified firms will have equal opportunity to bid or make proposals on contracts.

Mr. Sisisky. Would the Corps release the identity of firms awarded Architect-Engineer contracts and debrief those not selected?

Mr. Owen. Yes. The Corps will follow our standard procedures for announcement of contract awards for Architect-Engineer contracts.

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Mr. Sisisky. Although the Corps would not be obligating appropriated funds, to what extent does the Corps intend to comply with statutes and regulations applicable to contracts involving such funds.

Mr. Owen. It has been the policy of the Corps to treat monies received from friendly foreign governments through Foreign Military Sale cases in the same manner as U.S. appropriated funds where possible and to comply with applicable procurement regulations and procedures.

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Mr. Sisisky. Does the Corps plan to recommend that specific firms form joint ventures in order to be qualified for contracts.

Mr. Owen. No, it is the responsibility and prerogative of firms to associate/establish/develop a team or joint venture that presents the best package of qualifications to demonstrate their ability to do the work/project.

Small Business Exports

During FY 1990, Eximbank authorized $2.1 billion in supports for exports by small businesses, representing 19.0 percent of the total budgetary authority available to Eximbank and 21.9 percent of authorizations approved in the year.

Eximbank's small business authorizations in fiscal 1990 included 84 loans totaling $105.8 million and 932 guarantee and insurance transactions totaling $1.9 billion. Of the small businesses receiving Eximbank's assistance during the year, 90 had not previously participated in Eximbank's programs. Of the small business commitments entered into during the year, 307 totaling $78.5 million were in amounts less than $500,000. All of Eximbank's small business authorizations assisted exports by individual companies, none by consortia of exporters.

Eximbank's small business authorizations, by program, follow.

Small Business Authorizations
(Dollars in Millions)

	FY 1990		FY 1989	
Program	Authorized Amount	Number	Authorized Amount	Number
Export Credit Insurance	$1,569.7	767	$1,490.3	793
Working Capital Guarantees	88.6	84	51.5	72
Guarantees	290.5	81	104.0	29
Total Guarantees and Insurance	$1,948.8	932	$1,645.8	894
Direct Loans	$66.7	7	$53.9	9
Intermediary Loans	39.1	77	17.0	27
Total Loans	$105.8	84	$70.9	36
Grand Total	$2,054.6	1,016	$1,716.7	930

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230
ASSISTANT SECRETARY FOR INTERNATIONAL
ECONOMIC POLICY

March 13, 1991

MAR 18 199

Honorable Norm Sisisky
Chairman, Subcommittee on Exports
Committee on Small Business
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Thank you very much for the opportunity to testify before your Subcommittee on small business opportunities in the Gulf region.

You and other Members of the Subcommittee expressed an interest in phone numbers and addresses for your constituent companies interested in looking at the Gulf region for business opportunities. The enclosed is a fact sheet and list of contacts that we have made available to Members of Congress and staff over the past week.

If you or your staff have any additional questions, please feel free to call me at (202) 377-3022, or Carrie C. Oliver, Director of ITA Legislative Affairs, at (202) 377-3015.

Sincerely,

Thomas J. Duesterberg, Ph.D.

Enclosure

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230
ASSISTANT SECRETARY FOR INTERNATIONAL
ECONOMIC POLICY

March 12, 1991

Honorable Andy Ireland
House of Representatives
Washington, DC 20515

Dear Mr. Ireland:

It was a pleasure testifying before the House Small Business Committee yesterday on the subject of the reconstruction of Kuwait.

In response to your question regarding the Bechtel Company's role in the restoration of the Kuwaiti oil fields, I received the enclosed backgrounder from Bechtel. As you will note, Bechtel is operating as the project manager for the restoration of its petroleum production facilities to the Kuwait Petroleum Company.

Bechtel's responsibilities will not include general infrastructure restoration but rather focus on assessment, engineering, and construction related to the petroleum production sector.

Please do not hesitate to contact me if I can be of further assistance.

Sincerely,

Thomas J. Duesterberg, Ph.D.

Enclosure

cc: Honorable Norm Sisisky

Kuwait Restoration Project Backgrounder

Bechtel is serving Kuwait Petroleum Company as project management contractor in support of the restoration of its petroleum production facilities. Our scope at this time includes assistance in damage assessment, planning, engineering, procurement and construction services related to the petroleum production sector only. Bechtel's focus is on helping get the damaged oil fields back into production as quickly as possible. Bechtel's scope on this job does not include general infrastructure restoration (roads, buildings, etc.) in Kuwait.

We are working under a letter of intent from Kuwait Petroleum, but have not yet signed a contract. We currently have about 130 people working in London to plan a program to carry out this work. At this stage, the work is mostly planning and logistical in nature: identifying and gathering the resources, both people and materials, necessary to undertake this unprecedented type of job. This London work force is expected to peak at between 150 and 200 people further into the project.

While it is too soon to have timetables established on this project, key early requirements include identifying sources of water, power, fuel, camp accommodations and supplies for a field force which is expected to grow to about 4,300 people in Kuwait proper. That is the force expected to be needed to meet the currently known needs of the oil and gas restoration activities. **Of this field force, no more than 200 are expected to be Bechtel employees.** The remainder are expected to be subcontractors, largely retained within the Middle East itself. Additionally, Kuwait Petroleum is expected to have about 1,300 of its own people in the field. Since Bechtel's role is tightly focused, with most of the field force supplied by subcontractors, and our client's headquarters are in London, our hiring for this job will be limited, focused on special technical needs, and managed from our London office.

One example of an important early field assignment for Bechtel: supporting Red Adair and the other oilfield firefighters in their efforts by providing logistical support such as installing emergency water pipelines from the Gulf to the sabotaged wells and water lagoons on those sites, to help them squelch the fires. The first few Bechtel employees are now in Kuwait assisting on that assignment.

Revised 3/5/91

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230
ASSISTANT SECRETARY FOR INTERNATIONAL
ECONOMIC POLICY

APR 9 1991

Honorable Norm Sisisky
Chairman, Small Business Committee
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Per your request at the recent hearing on small business opportunities in the Gulf region, I have enclosed a list of the companies to which the U.S. Army Corps of Engineers has awarded contracts for reconstruction work in Kuwait.

At this time, the Kuwait Government will not give us the names of those companies which have been awarded contracts primarily for security reasons. However, I have enclosed a list which appeared in a recent issue of Aviation Week. The contracts awarded to the listed companies are for the emergency provision of supplies and services. The Government of Kuwait has also signed contracts with companies to put out oil well fires and to restore the oil production facilities. With these exceptions, the Kuwaitis have indicated they will not award contracts for the actual reconstruction of Kuwait until the damage assessment is completed and priorities are defined.

Sincerely,

Thomas J. Duesterberg

Enclosure

UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

U.S. ARMY CORPS OF ENGINEERS
CONTRACT AWARDS

The list of U.S. Army Corps of Engineers contract awards made on behalf of the Kuwaiti Government for reconstruction projects may be obtained by writing to:

Public Affairs Office
U.S. Army Corps of Engineers
Middle East Division
P. O. Box 2250
Winchester, VA 22601-1450

Contracts awarded by U.S. Army Corps of Engineers for reconstruction work in Kuwait are:

Raytheon Service Company Burlington, MA	Acquisition of Airport Equipment
Blount International Montgomery, AL	Emergency Electrical Repairs in Kuwait Temporary Repairs to Public Buildings
American Dredging Company Camden, NJ	Expedient Survey of Shu'Aibh Port State of Kuwait
Al Harbi Trading and Contracting Co., Ltd. Riyadh, Saudi Arabia	Repair of Roads and Airport Runways
Brown & Root International Houston, TX	Temporary Repairs to Public Buildings
Khudair Group Al Khobar, Saudi Arabia	Repairs to Key Government Offices
Mohamed A. Kharafi Abu Dhabi, UAE	Temporary Repairs to Public Buildings
Shand Construction Ltd. Derbyshire, England	Repairs to Sanitary and Water Systems

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DAILY

Firms Sign Contracts With Kuwait, May Need Air Service

Reconstruction of Kuwait already has involved a number of U.S. companies, which have new contracts with the emirate's government to perform a variety of construction and service functions. Army's 352nd Civil Affairs Command in Saudi Arabia has compiled the following list of companies with contracts, saying these firms are likely to have air travel and air cargo needs. Although Kuwait Airport is once again operational, the command says that so far only Kuwait Airways is flying into the country. The following list obtained by The DAILY provides the names of the companies only, no locations in the U.S. or the business they have contracted to perform for Kuwait. The military advises that the transportation managers of the companies listed would be the appropriate sources for more information.

Companies Holding Contracts With Kuwait

1	Motorola, Inc.	34	Prop Arms	67	International Security Services
2	IBM	35	Sherwood International Export	68	Cougar Holdings, Inc.
3	ICMX	36	SORS International	69	Amada
4	Martin Marietta	37	International Mobile Machines	70	Siemens AG
5	James Martin Associates	38	Ericsson GE Mobile Commo.	71	Burke Industries
6	Mobile Telesystems	39	Transac International Ltd.	72	The Supply Cabinet
7	Corps of Engineers	40	Federal Laboratories	73	Kael Marine Ltd.
8	Henley Board, Inc.	41	AAE Systems, Inc.	74	Al-Hashar & Company
9	The World Bank	42	Guardian Technologies	75	Communication, Inc.
10	AAB International	43	Simon Ladder Towers	76	Zubair Automotive
11	Colt	44	Angus Fire	77	Hungarian Buserport
12	Prime Tech, Inc.	45	Horizon Trading Co.	78	Water Witch III
13	Beckman	46	Ohmeda	79	CSX/Sea-Land
14	Bard	47	Gambro	80	GTS Enterprises, Inc.
15	NACO	48	Molnlycke	81	La France Equipment Corp.
16	Ethicon	49	Computer Sciences Corp.	82	Med-Eng Systems Inc.
17	GE Technical Services	50	Aeronautitme, Inc.	83	Internation Security Services
18	AMSCO International	51	Tryco Incorporated	84	Meltron
19	Al International	52	Def-Tec Corporation	85	Recal-Tacticom
20	NavCom	53	American Body Armor	86	IPAC
21	GEC-Marconi	54	Tradetech	87	United States Testing Co.
22	Caterpillar, Inc.	55	S.H.A.D.	88	Ford
23	Medko	56	Morfax	89	Water Witch IV
24	Commonwealth Labs	57	Societe des Materiels	90	Ruston
25	3M Company	58	Lynch Display Vans	91	Avon Industrial Polymers Ltd.
26	Valdex	59	Seryker Corporation	92	Technos International
27	Sherwood Medical	60	Global Container Lines	93	Navistar International
28	Sepro Healthcare	61	Code 3 Public Safety	94	Transportation Corp.
29	S&W Medico	62	Mackay Communications	95	CMI
30	Valmet	63	Some's Uniforms Internat.	96	AT&T
31	Telemobile, Inc.	64	Hydrotechnik	97	Mitsi
32	Water Witch	65	Grove North America		
33	Contractors of America	66	International HydroCut Technologies		

Source: U.S. Army's 352nd Civil Affairs Command

DHL Adds Bid For New Montreal Cargo Service To Federal Express'

DHL Airways has requested an exemption to provide nonstop all-cargo service between Cincinnati and Montreal, effective immediately. Under the agreement recently reached between the U.S. and Canada, one carrier from each country may operate a new route between the U.S. and Montreal Mirabel Airport. Federal Express earlier filed for Memphis-Montreal Mirabel service. DHL said choosing Federal Express would give it a dominant position, giving it an advantage that no other cargo carriers can match.

DHL does not have certificate authority in its own name for all-cargo service between the U.S. and Canada but uses its own air taxi operations or charters with U.S. and Canadian operators to transport packages. As its business expands, DHL said it plans to obtain the authority to provide DHL WorldWide Express service into Canada from its Cincinnati sorting center and from Montreal to Cincinnati. DHL has proposed offering flights five days a week. (Dockets 47403 & 47452)

Council of the International Civil Aviation Organization has appointed Philippe Rochat of Switzerland to a three-year term as its new secretary general, beginning Aug. 1. He will succeed S.S. Sidhu of India, in office since 1988. Rochat currently is director of marketing of Geneva Airport.

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UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

GULF RECONSTRUCTION -- COMMERCIAL INFORMATION

- The U.S. Government is aggressively assisting U.S. firms in pursuit of commercial opportunities in the Persian Gulf Region, and will continue to do so. Just Kuwait's reconstruction will cost between $60 billion and $100 billion, and the Kuwait Government has said U.S. companies will be favored in contracting for the 5-year rebuilding program.

- The Kuwaitis have a two-stage reconstruction plan. In the first 90 days, the focus will be on emergency relief and damage assessment; food, water, medicine and communications will be highlighted. Hundreds of contracts for this phase have already been signed, worth over $500 million, of which some 70% has gone to U.S. companies.

- The second phase of the Kuwaiti plan will be for the next 90 days and will include detailed damage assessment and design work. The Kuwaiti oil sector has been hard hit; its reconstruction is being directed by the Kuwait Oil Company office in London. Bechtel Corporation has been selected as the program manager of the oil sector restoration. Intensive rebuilding will go on for years, and is likely to be financed by Kuwaiti assets and reserves in foreign banks, and by restored oil revenues.

- The U.S. Army has two groups assisting the Kuwaitis. An Army Civil Affairs group called Kuwait Task Force Enterprises is on the ground in Kuwait now, and is helping to organize contracting. Also, the Army Corps of Engineers has been given a $46 million contract by the Kuwaiti Government to direct the initial stages of damage assessment and rebuilding design.

- The Department of Commerce has established the Gulf Reconstruction Center to serve as an information clearinghouse for businesses, who can call the Center at 202-377-5767 or 5737 for assistance and counselling. The Secretary of Commerce is activiting the Trade Promotion Coordinating Committee, to harness all U.S. Government agencies' reconstruction efforts and direct them toward a goal of trade promotion. Commerce Department officials are located in most U.S. commercial centers and in several Gulf cities, to provide a network of experienced professionals at the service of U.S. businesses.

- At least initially, entry into Kuwait will be strictly limited, to avoid overtaxing basic services and the local infrastructure. As soon as safe and practicable, U.S. diplomatic, consular and commercial personnel will be able to assist travellers to the area; trade missions will be organized so that U.S. industry can bring its capabilities directly to the attention of Gulf governments.

FOR FURTHER INFORMATION, PLEASE CONTACT:

Counselling and Referral Services 202-377-5767
Gulf Reconstruction Center
U.S. Department of Commerce

Companies may want to use this contact list for assistance tailored to individual industry sectors:

U.S. Department of Commerce - International Trade Administration offices:

Capital Goods & International Construction.....202-377-5023
Services.....202-377-5261
Aerospace.....202-377-8231
Basic Industries.. 202-377-0614
Science & Electronics.....202-377-3548

For other information related to Gulf reconstruction, please call:

Army Corps of Engineers (703)665-3798
Winchester, Virginia
Architecture/engineering: Gary Kula (703)665-3798
Construction: Cecil Hutchinson (703)665-3632
Supply firms: Pam Friestad (703)665-3683

Department of State
Economic & Business (202)647-1942
Travel Advisory (202)647-0900

Overseas Private Investment Corp. (OPIC)
(for finance and insurance for U.S. companies wanting to do business in the Gulf)
Washington, D.C.
202-457-7056

Kuwait Emergency Recovery Office
1510 H Street, N.W.
Washington, D.C. 20005

Kuwait Petroleum Company, London
071-491-4000 (FAX)071-493-7996)

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

FACT SHEET ON GULF RECONSTRUCTION

The U.S. Small Business Administration (SBA) offers several financial and procurement assistance and business counseling programs that may prove useful to small businesses and individuals interested in Kuwait and Persian Gulf reconstruction opportunities.

SBA ANSWER DESK 1-800-U-ASK-SBA

Small business firms and individuals interested in general information about how the SBA can help them take advantage of reconstruction opportunities in Kuwait and the Persian Gulf should call SBA's Answer Desk by dialing 1-800-U-ASK-SBA (1-800-827-5722). The Answer Desk operates from 9:00 a.m. to 5:00 p.m., Monday through Friday.

PASS (202) 205-6469

Small businesses interested in subcontracting opportunities relating to the reconstruction of Kuwait should enter their names an the Procurement Automated Source System (PASS). PASS is a computerized directory containing detailed profiles of more than 200,000 small business firms interested in government prime and subcontracts. This automated directory can be used by government agencies and prime contractors to find small business sources and develop bidders lists for Persian Gulf reconstruction projects. There is no cost for listing a small firm in PASS. To receive an application call the SBA Answer Desk. Government agencies and large prime contractors that want direct access to the PASS computer directory or further information on the PASS system should call (202) 205-6469.

SBA FINANCIAL ASSISTANCE

The SBA offers a variety of loan guarantees to eligible small businesses. Among the guarantee programs available for export related activity are:

o General Business Loan -- Available to finance a wide range of business activity, including purchases of plant and equipment. The SBA's guarantee portion on these loans may not exceed $750,000.

o Export Revolving Line of Credit -- A short-term loan available to provide working capital for export transactions, the Export Revolving Line of Credit is available for up to three years. During the life of the loan, the borrower may draw down on the loan as needed to finance the export activity. SBA's guaranty portion may not exceed $750,000.

o International Trade Loan -- The SBA will guarantee loans of up to $1 million to finance purchases of plant and equipment to be used for export purposes. An additional $250,000 guarantee is available for working capital.

(OVER)

Call the SBA Answer Desk for the number of your local SBA district office, where a loan officer will provide additional information on each of these loan programs.

PROCUREMENT ASSISTANCE

The offices of Procurement Assistance and International Trade in SBA Regional Offices can provide the contact points in other government agencies and large private contractors that have procurement opportunities related to the Kuwait/Gulf Reconstruction Project. Call the SBA Answer Desk for the number of the SBA Regional Office nearest you.

EXPORT COUNSELING

Counseling on exporting is available through Small Business Development Centers and the Service Corps of Retired Executives (SCORE). For information on these programs, please call your local SBA district office.

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